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The University of California Black Alumni Series

Emmett J. Rice

EDUCATION OF AN ECONOMIST:  
FROM FULBRIGHT SCHOLAR TO THE FEDERAL RESERVE BOARD, 1951-1979

With an Introduction by  
Jean Sullivan Dobrzensky

Interviews Conducted by  
Gabrielle Morris  
in 1984





Emmett J. Rice  
UC Berkeley, Alumni House  
May 1984



Since 1954 the Regional Oral History Office has been interviewing leading participants in or well-placed witnesses to major events in the development of Northern California, the West, and the Nation. Oral history is a modern research technique involving an interviewee and an informed interviewer in spontaneous conversation. The taped record is transcribed, lightly edited for continuity and clarity, and reviewed by the interviewee. The resulting manuscript is typed in final form, indexed, bound with photographs and illustrative materials, and placed in The Bancroft Library at the University of California, Berkeley, and other research collections for scholarly use. Because it is primary material, oral history is not intended to present the final, verified, or complete narrative of events. It is a spoken account, offered by the interviewee in response to questioning, and as such it is reflective, partisan, deeply involved, and irreplaceable.

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Introduction by Jean Sullivan Dobrzensky, International House and University Chancellor's staff.

Interviewed 1984 by Gabrielle Morris for the University of California Black Alumni Project.





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## PREFACE

In America education has long been an important avenue of opportunity. From our earliest years young people and their families have looked to the nation's colleges and universities to provide the knowledge and experience that will enable the new generation to take its place in the world of work and government and creative activity. In turn, one measure of the quality of American universities and colleges is the breadth and diversity of their students, including how well they reflect the mix of social, racial, and economic backgrounds that make up the communities from which they come and in which they will take part as graduates.

On the West Coast, the University of California at Berkeley has from its beginnings in the 1860s welcomed the sons and daughters of small farmers and shopkeepers, railroad workers and laborers, as well as the children of lawyers and doctors, corporate executives, from many ethnic and racial groups. About 1915, as far as we know, the first black students enrolled at Berkeley, pioneers of yet another group of Americans eager to seek the best in higher education and to broaden their participation in the life of California and the nation.

Those first black students to come to Cal were indeed on their own, with few fellow black students and no special programs or black faculty to guide them or serve as role models. During the Great Depression of the 1930s a few more came, maybe a hundred at a time in all. The education benefits of the G.I. Bill for men and women who did military service during World War II opened the doors to many more black students to attend Cal in the late 1940s and early 1950s. A census taken in 1966 counted 226 black students, 1.02 percent of all the students at Berkeley. By the fall of 1988, there were 1,944 black graduate and undergraduate students, 6.1 percent of the student body. With changing population and immigration patterns in recent years, as well as active campus recruiting programs, for the first time there is not a single majority ethnic group in the entire undergraduate student body at Berkeley.

Looking back from the 1980s, those early trailblazers are very special. Though few in number, a large percentage of them have gone on to distinguished careers. They have made significant contributions in economics, education, medicine, government, community service, and other





fields. It is fitting that a record of their initiative and energy be preserved in their own accounts of their expectations of the University of California, their experiences as students there, and how these experiences shaped their later lives. Their stories are a rich part of the history of the University.

Since 1970, the University has sought to gather information on this remarkable group of students, as noted in the following list of oral histories. In 1983, the UC Black Alumni Club and University officials began planning an organized project to document the lives and accomplishments of its black graduates. In order to provide scholars access to the widest possible array of data the present series includes oral histories conducted for Regional Oral History Office projects on California Government History Documentation and the History of Bay Area Philanthropy, funded by various donors.

With the advice and assistance of the Black Alumni Club, and the support of other alumni and friends of the University, the Regional Oral History Office of The Bancroft Library is tape-recording and publishing interviews with representative black alumni who attended Cal between the years 1920 and 1956. As a group, these oral histories contain research data not previously available about black pioneers in higher education. As individuals, their stories offer inspiration to young people who may now be thinking of entering the University.

Gabrielle Morris, Program Director  
University of California Black Alumni Project

Willa K. Baum, Division Head  
Regional Oral History Office

November 1989  
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\*Interviews conducted for other Regional Oral History Office projects, funded by various donors.



## INTRODUCTION--by Jean Sullivan Dobrzensky

When the Berkeley International House was built in 1930 the motto was, and still is, "That Brotherhood May Prevail." Over the years thousands of American and foreign students have resided there and have been part of the experience that fosters international, inter-racial, inter-ethnic, and inter-cultural understanding. It was a natural setting for Emmett Rice--being totally consistent with his philosophy and personal style.

The oral history of Emmett J. Rice, in addition to recounting factual data about his childhood, education, and professional goals, discusses: one, the depth of discrimination, both blatant and covert, that existed while he was growing up; two, how he dealt with being black in circles of society that largely were white; three, his personal development and decisions that governed his *modus operandi*. It is a remarkable story: recollections of family, friends, and faculty who influenced him, and situations and institutions that affected him. It is also a reflection of great personal modesty about large achievements.

A few thoughts about Emmett as an International House resident may contribute some insight that is not revealed in the oral history. He was one of the few American minority students in residence; a quiet but positive influence, always himself, natural, open to discourse, and ready to establish easy social relationships. As part of the I House community he, in turn, was relieved in large part of the constant, overt, abrasiveness of racial discrimination to which most black individuals were subjected.

Although Emmett was friendly with numerous foreign students (the selection of his dissertation topic was the result of discussions with students from India), his closest friends were two white Americans. They were a special "three-some" at I House. Together they bought a car, of which they were inordinately proud, and were the envy of their friends, who vied for an invitation to ride in it to campus (only two blocks away). This was partly because few residents owned cars at that time, but also because people wanted to be associated with Emmett. When Emmett moved out of I House, he rented a "penthouse" which, in reality, consisted of several livable rooms on the roof of an old warehouse. It was the only place available to him. An invitation to one of "Em's parties at the penthouse" was prized. Not only were they great parties, but both foreign and American friends sought linkage with Emmett's social and intellectual orbit--a fact of which he may not have been aware.



Emmett's role in integrating the Berkeley Fire Department was more significant than for what he takes credit. It also has one humorous aspect not mentioned in the history. When he went to his first fire and saw the blazing building he was supposed to enter, he later confessed to a group of friends that suddenly he wondered whether this was the right job for him. He said, "I was scared pink," giving everybody, himself included, a good laugh. In addition to the business of fighting fires, he later was assigned a job in the fire alarm division.

He joined a disorganized singing group, returning from a late Saturday party, that decided to serenade the women of I House with hymns. It was 12:10 a.m. and it is commonly attributed to Em that he thought such a selection would be appropriate since it was now Sunday morning. When Emmett and his girl friend were invited to use a private home in a resort area in Orange County, his first question was, "Is it really okay with your folks?", and the second, "When we drove down do you think we can find a motel that will take us?"

Ugly words were not part of his vocabulary and aggressive hostile activities not his style. However, he was not loath to take a stand and express his views vigorously. As told in the history, his I House debate favoring federal legislation for fair employment practices resulted in subsequent fall-out. Although there were times when he seethed over the indignities to which he was subjected, rarely did this surface. I House discussions with him tended to be philosophical rather than rancorous and confrontational. The result was that there was more light than heat and people were drawn to him. Many remember the impact these discussions had on them.

The years he spent at the University of California clearly were a period when he was in the process, consciously or unconsciously, of developing a philosophy on how to deal with a discriminatory society. During that time, he was able to concentrate on becoming a competent economist--a person with intelligence, education, and ability. Even as an on-duty fireman, he would report, "It is a great place to study." He was neither weighed down nor distracted by a perceived need for pretense. A foundation had been laid that helped him achieve remarkable professional success in the years to follow.

The measure of that man can be summarized by his own words in the oral history interview:

Question: In 1979, Black Enterprise quoted you as saying, "It is always better to act, work and to perform as if there is no such thing as discrimination." How did you develop that philosophy?





Answer: I cannot pinpoint when I reached that conclusion. It was not an idea that came full-blown to my head one sunny afternoon. . . . I had struggled with this problem for a long time. . . . And I concluded that I am only one person. I am only human, and I cannot carry the burdens of the world around on my shoulders and at the same time function. So I was just going to be myself. . . . If my being black caused a problem, it was not going to be me; it was going to be the other people.

Emmett Rice has made his mark as a fine economist and member of the Federal Reserve Board. He has also contributed an added dimension to American life. Because of him, and through the lives he has touched, progress has been made towards a better society.

Jean Sullivan Dobrzensky  
Former Staff Member, International  
House, UC Berkeley

April 1991  
Oakland, California



## INTERVIEW HISTORY--Emmett J. Rice

As an eminent member of the nation's banking system, Fulbright scholar, economics professor, and member of the board of governors of the Federal Reserve System (1979-1987), Emmett Rice was an ideal first interviewee for the University of California Black Alumni Oral History Project. He was also the first recipient of the UC Black Alumni Club Alumnus/a of the Year Award. Creation of the award in 1984 coincided fortuitously with establishment of the project, so that the Regional Oral History Office was able to arrange to interview Dr. Rice when he came from his base in Washington, D.C. to attend the awards banquet.

The ceremony was held in Berkeley on May 18, and Dr. Rice kindly agreed to sit for an extended interview earlier in the day. Four hours of conversation were tape-recorded in the conference room of The Bancroft Library, with a break for lunch.

A tall, trim, well-tailored person, Dr. Rice responded to the interviewer's questions in a relaxed and friendly way. As a federal officer with broad national and international experience, he seemed comfortable with the interview process. Because the project is designed to augment available information on the educational experiences of students of diverse background, the oral history focuses on Dr. Rice's family and childhood in South Carolina, early influences on his personal goals, and experiences at City College of New York and doctoral studies at the University of California at Berkeley as well as in the U.S. Air Force during World War II and in India as a Fulbright Scholar in the 1950s.

The interview also touches on Dr. Rice's encounters with racial prejudice and discrimination, his philosophical attitude toward these indignities, and briefly relates his career progress from teaching at Cornell University through the staffs of the Central Bank of Nigeria, the U.S. Treasury Department, the World Bank, to the central Federal Reserve Board in Washington, D.C. It is hoped that there will be further opportunity for him to discuss his observations on the policies and impact of this significant mechanism in the nation's economic system.

The transcript of the interview tapes was lightly edited for clarity by the Regional Oral History Office and sent to Dr. Rice for review. Having received no emendations from him, the manuscript was completed as edited.



A valuable introduction to the oral history is provided by Jean Sullivan Dobrzensky, a longtime friend of Rice who was a staff person at International House in the period when Rice lived there during his Berkeley student days and later an assistant to the Berkeley Chancellor. Mrs. Dobrzensky gives us glimpses of young Rice's firm principles, leadership, and high spirits, qualities that one suspects have been significant in his success in life, and a look at the ways in which I House continues to be significant in campus life.

It is hoped there will be an opportunity for further interviewing with Dr. Rice to document his aspirations and observations as professor of Cornell University, official of the World Bank, member of the U.S. Federal Reserve Board, and other professional affiliations.

Gabrielle Morris  
Interviewer-Editor

May 1991  
Regional Oral History Office  
University of California  
Berkeley, California



BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name Emmett J. Rice

Date of birth 1920 Birthplace Florence, South Carolina

Father's full name Ulysses Rice

Occupation minister Birthplace South Carolina

Mother's full name \_\_\_\_\_

Occupation teacher Birthplace South Carolina

Your spouse \_\_\_\_\_

Your children \_\_\_\_\_

Where did you grow up? Florence, South Carolina

Present community Washington, D.C.

Education University of California, Berkeley Ph.D., 1954

City College of New York, B.A., M.A., 1941

Occupation(s) member, U.S. Federal Reserve Board; officer, National  
Bank of Washington D.C., International Bank for  
Reconstruction, and others; professor, Cornell University

Areas of expertise economics, business

Other interests or activities American Red Cross, Center for Municipal and  
Metropolitan Research, Washington Performing Arts Society,  
Consortium of Universities, and other civic organizations

Organizations in which you are active \_\_\_\_\_





## I SOUTH CAROLINA CHILDHOOD

[Interview 1: May 18, 1984]###<sup>1</sup>

Family Recollections

Morris: What we'd like to begin with is a little bit about your family and growing up in South Carolina and then the beginnings of your move across the country. Did you live in South Carolina for a long time as a youngster?

Rice: I lived the first thirteen years in South Carolina. And then moved back and forth between South Carolina and New York for three years. And then moved permanently when I was sixteen years old.

Morris: Did you have family members in New York City?

Rice: New York and in South Carolina.

I had an older brother who was a good deal older than I. And he had moved to New York shortly after my father died. I guess I'm getting ahead of the story. Anyhow, he was already there. He had a home there. He was anxious to get me out of the South because he was convinced that I couldn't be properly educated in the South. But because of the difficulty of making the educational transition without losing grade level, you know, I was going back and forth.

Morris: During the school year. That's very hard to shift back and forth.

Rice: But I made the transition. I finished high school in South Carolina, but didn't finish enough credits to be accepted fully at New York City College. So, I had to finish up high school work, and do additional high school--

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<sup>1</sup>This symbol (##) indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see page 66.



Morris: It sounds as if education was a really important thing for your family.

Rice: Oh, it was.

Morris: Your parents, too?

Rice: Oh, yes. Yes, education was, I suppose, the most important thing for the children.

Morris: Were your mother and father teachers?

Rice: My mother was; became. Maybe I should back up a bit.

Morris: Yes. Tell me a little bit about your mother and father.

Rice: My father was the pastor of a large Methodist congregation. He was widely known in the community and very well thought of. He was liked very much. This was in Sumter, South Carolina. He died there when I was seven years old. My father was a graduate of Lincoln University in Pennsylvania. He'd gotten his divinity degree there and had come back to South Carolina, where he was born, to do his pastoral work.

Morris: Was his grandfather a pastor also?

Rice: His father was. I mean my father's father was. But my mother's father was not.

Morris: And your father's name was--?

Rice: Ulysses.

Morris: Oh, that's a nice name. After Ulysses S. Grant?

Rice: Well, I don't think he was named after Grant. It's possible. I always had the impression he was named after some relative, some uncle of his. That was my impression of who he was probably named after, who was probably named after U.S. Grant.

Morris: Was your mother also born in South Carolina?

Rice: Yes. My mother was born in South Carolina. Her father was a farmer, a successful farmer. But he had had a fling in local Republican politics. He had been the superintendent of Lawrence county schools at a time when black people weren't supposed to have those jobs. He was eventually forced out.



Morris: There weren't very many Republicans, were there, in the South?

Rice: Well, almost all black people were Republicans. What happened after the Civil War was that the Republicans ran the South during Reconstruction.

Morris: Republicans from the North?

Rice: From the North. Almost all the black freed slaves who were active in politics were active with the Republicans. And, of course, during Reconstruction, there were a lot of black people elected from the Southern states to state office and national office. There were senators from South Carolina. I'm not absolutely sure of this. There were some representatives for South Carolina. All that ended with the end of Reconstruction, but some people managed to continue to hold political jobs for a while before they were--

Morris: Eased out.

Rice: In most cases they weren't eased out. They were just put out.

Morris: Because the Democrats built up a strong enough machine to elect --?

Rice: No, because the old guard, because the Old South, old southern Democrats, reassumed power. And they not only blew the Republicans out, and the black Republicans as well, but, they effectively removed black people from participation, political participation in the political life of the South. But before that happened entirely, my grandfather, my mother's father, was appointed by the governor of South Carolina to be superintendent of schools. I think that was an elective office--appointed by the governor and then confirmed by election is how it works in California--that had to be confirmed by appointment by the governor, but I'm not absolutely positive of that. I do know he was appointed by the governor because I have the certificate of appointment. It hangs in my office in Washington.

Morris: Oh, that's a nice thing.

Rice: So, when you come, I'll show it to you.

Morris: Right. When was he appointed?

Rice: I think it was in 1876.

Morris: Would you have known either grandfather?



Rice: Yes, I knew him; he was my mother's father, but my father's father died before I was born.

Morris: So this grandfather was part of your growing up?

Rice: No, because he died, also, when I was eight years old. He died a year after my father. But I did know him, and I spent time with him. And I was surely influenced by him. I had a great deal of admiration for him. He was, by that time, an old man. But he was active, almost until the day he died. And he never was really feeble.

Morris: That's marvelous.

Rice: My first horseback ride was with him. Up on the saddle with him. He was over eighty years old. He rode horseback well into his eighties.

Morris: They don't build many people like that nowadays. Did you live on a farm then?

Rice: No. No, I lived with my mother and father in Sumter in the parsonage. The preacher was furnished with a very nice old, huge house. A clapboard house. I remember it very well. It was just a wonderful house. Very huge. Many rooms, well appointed. And the first seven years of my life, I recall as being a very happy family.

Morris: You said your brother was much older. Were there other brothers and sisters in between?

Rice: Yes.

Morris: Big family?

Rice: No, four--a brother and two sisters. But my sisters were also older. I was, I guess, an afterthought.

Morris: You're the caboose?

Rice: I was the caboose by a number of years. A kind of afterthought, I guess, or not a thought at all [both laugh]. Something slipped up on them. Some years after they, I suppose, had their family, pretty much. Because the next child to me is nine years older; I have a sister who's nine years older, another who's ten and a half years older. And my brother is twelve years older.

Morris: So they sort of helped raise you?





Rice: Not really. But my brother was practically grown ever since I remembered him. When I first became aware that I had a brother, he was already a big boy in college.

Morris: Was he the first one to go to New York City on his own to college or to work?

Rice: To work.

Morris: At what age?

Rice: I suppose, when he got out of college.

Morris: Did he go to college in the South?

Rice: Yes. He also went to Lincoln, the first thing, where my father went through, which is in Pennsylvania. But when my father died, we couldn't afford to keep him at Lincoln. My mother couldn't afford to keep him there.

Morris: We're talking 1927-28, there weren't very many pension programs at that point.

Rice: What happened was, when my father died, my mother, who had attended--I don't know if you know much about schools in the South, but--

Morris: Not too much.

Rice: She had gone to a school called Scotia, which was something like a normal school. It was a rough equivalent to two years of college. When my father died, my mother had to think about making a living and supporting the family, so she took what savings we had and sent herself back to school and got her degree, and started teaching. So she became a teacher.

Morris: After she'd already raised a flock of kids.

Rice: Right. As I remember, my mother was a career woman after that. She had not been before. She was a parson's wife before. But she became a career woman out of necessity. And I remember my mother being in a different position from mothers of most of the children I knew and played with. Their mothers were housewives and mine worked. I noticed that. It made an impression on me. The reason I know this is because I sort of grew up taking for granted that women should work and that a career was not at all unnatural.

Morris: You didn't feel that she was neglecting you because she was off at school?



Rice: Not at all.

Teachers, Ministers, and Small Businessmen

Morris: Were your sisters working by that time?

Rice: Yes. When they graduated from college, they went to work, too, as teachers in different parts of South Carolina. One sister went to Greenville. Another taught in Colombia.

Morris: They didn't teach in the same town at all?

Rice: No.

Morris: Was it difficult for them to find jobs as teachers?

Rice: No. No, in those days it wasn't difficult for a black college graduate to find a teaching job. As a matter of fact, I would guess that 90 percent of them went into teaching. Both men and women. Of course, there was a need for them, and there was hardly anything else they could do. A black person graduating from college in the South before World War II could either teach, which is, I think, what 90 percent of them did, or go to professional school like medicine or law. Very few of them went to law school. There were very few law schools they could go to; there was one at Howard. So, few went to law school. A much larger number went to medical school.

Morris: And the ministry?

Rice: Yes. That's right. A lot more went to divinity school. The most developed black profession beyond teaching was the ministry. There were just thousands of black Christian congregations in the country. Of course, the influence of that survives today. It's no accident that Jesse Jackson is a preacher.

Morris: Yes.

Rice: You think of him as civil rights activist. But he's a preacher.

Morris: And he's very definitely the Reverend Jesse Jackson, then?

Rice: The Reverend Jesse Jackson. So was Martin Luther King [,Jr.]. He was the Reverend Martin Luther King. So it is no accident that the political leadership among black people so far, in this century,



has been dominated by ministers. They represent the largest group of educated people who are independent of other influences. Teachers are not free to be politically active.

Morris: No, not until recent years. But it sounds like the ministers were trained to be leaders in every sense of the word. Not just spiritual leaders, but they did provide leadership to the community.

Rice: Well, they came to this. They weren't trained to do this. This was a void that they filled because nobody else was there.

Morris: To organize people when something needed to happen?

Rice: Yes. There were a few exceptions to this. But not many. A. Phillip Randolph was one exception. He was a trade union leader. Walter White, his role as a leader emerged from his leadership of the NAACP, the head of the NAACP. The executive secretary is, by definition, a leader, or has been up to now. So there was the head of the NAACP, who was Walter White; and later Roy Wilkins and A. Phillip Randolph. I think they were most of the non-clergy leaders that we've had.

Morris: There weren't any black businessmen in South Carolina?

Rice: There were businessmen, but businessmen in the black community in the South were not the most educated people. They were not educated.

Morris: They had a knack for trade or making things.

Rice: Yes. That's right. They were small business people, too, that didn't require complicated skills. They were, for example, undertakers, people who owned restaurants, small contractors who built houses, small corner groceries--people like that. There were no large businessmen that I recall. The largest businessman was a contractor who built bridges.

Morris: In your part of South Carolina?

Rice: He was not in the Sumter part of South Carolina. This man I knew. He was in Lawrence, South Carolina, where my grandfather had lived. I used to visit, first my grandfather, then after he died, his daughter's and my mother's home. And there I met a man who built bridges. He was a bona fide contractor, and did a lot of business as a builder of bridges. And he was illiterate. We all, of course, were struck by that. But, he used to come and have my aunt, my mother's sister, do his calculations for him.



Morris: Prepare specifications for a bridge he was going to build?

Rice: Yes, which was--

Morris: That's quite a skill, to be able to carry all that in your head.

Rice: That's right. He could do all the minor calculations in his head. But he was illiterate. He could do the minor things, but anything that required involved extended calculations, he couldn't do. He used to bring his work to my aunt and pay her to do it for him. It was just very hard to believe that a man could build a bridge and not be able to read.

Morris: Yes. When you think of all the things that go into building a bridge--

Rice: I don't mean anything huge, like the Bay bridge [laughs].

Morris: Yes.

Rice: I mean the bridge across the ravine or--

Morris: Yes. The river branch.

Rice: Yes. That kind of thing. I remember him well because I was so impressed with him. Even as a child, I just found it unbelievable that anyone could do this and not be able to read and write and multiply and divide.

Morris: Was there an NAACP in South Carolina when you were growing up?

Rice: Yes, there was.

Morris: Was your family active in it?

Rice: No. As I recall, we were not active in it. I could be wrong. I didn't keep track of everything.

Morris: Right. At twelve, thirteen and fourteen, you have other things on your mind. Yes.

Rice: Right.

Morris: In a town like Sumter, was there much contact between black youngsters and white youngsters?

Rice: No, hardly any at all. There was almost total segregation. I never knew a white person really well until I went to New York. I saw white people all the time. You see them in stores, you talk





to them in stores. But if you didn't work for a white person as a maid or cook or something, you didn't get to know them. Every once in a while a white child, a white boy, would come over and play baseball or something like that.

Morris: Even at the high school level?

Rice: No. Not at the high school level. No, I'm talking now about little kids. At the high school level, the lines were, really, very strictly drawn. I'd say, after nine years old, you'd never see a white boy to play with. A white boy over nine, nine and over, would never play with blacks. So the segregation was total. I just didn't know it.

Morris: But you knew they existed.

Rice: Oh, sure. Of course! What I mean is, I didn't know them on a really personal basis. I mean I knew that Mr. So-and-So owned the bank, or Mr. So-and-So owned the lumberyard. Or, Mr. So-and-So owned the department store. But I didn't know him personally. That kind of thing.

Morris: Was that the kind of thing that led your brother to go north?

Rice: Oh, yes.



## II NEW YORK CITY, 1937

### Attending City College of New York: Harlem YMCA

Morris: Were there other members of the family in the north? Or was your brother the--

Rice: He was the first to go. And then others moved up and back and forth.

Morris: How did your mother feel about that?

Rice: She thought it was fine. Sure. My mother was really very glad to see me get an opportunity to get a good education under conditions that were not totally segregated, which was all that was available in the South at the time.

Morris: What was it like? What were you--eighteen or nineteen when you did enter New York City College?

Rice: No, I was seventeen, actually.

Morris: You did very well getting your preparation. Seventeen is really young for college these days.

Rice: Yes.

Morris: What was it like to go from a completely segregated situation into a big city college?

Rice: It was something I had to get used to. It was a completely new experience. I am sure there must have been a lot of anxiety. I don't remember it. I don't remember feeling anxious, but I am sure that there was such a marked contrast from what I had been accustomed to that there must have been some culture shock. But I got over it, I guess. I don't remember it as culture shock, but I'm sure it must have been something in that nature.



I have to say that while the college was not segregated by any means, there was a great deal of prejudice. White students, generally speaking, didn't have very much to do with me. I was pretty much isolated in college. First off, there weren't many black students in the college.

Morris: In New York?

Rice: No. They were scattered all over, but in very small numbers. There were some at Columbia, and NYU [New York University]. We estimated there must have been one hundred at City College--or something around that. But we were so scattered that I never had another black student in a class.

Morris: So there was no way you could really--

Rice: Now, there were black students in the school whom I knew. But they were doing other things. They were either ahead of me or behind me, or in some other area of--

Morris: And you got to know them in other connections?

Rice: In other connections. That's right.

Morris: Because they were friends in the neighborhood or friends of your --?

Rice: Well, yes. Some I met in the gathering place in New York in the late thirties and early forties. It was the YMCA, the Harlem YMCA. Almost all the people I knew belonged to the YMCA. I met people at the YMCA, for example, who were in the same college, but I never saw them, and would never have known that they were in the college had I not met them at the Harlem Y.

Morris: I remember a CCNY campus way down near Greenwich Village.

Rice: Well, there were two campuses. One was down there, and the main campus was up on 139th Street and Conrad [?] Avenue.

Morris: Not too far from Columbia?

Rice: Not too far. Columbia was 121st Street in the same part of town. So there was a difference of about eighteen blocks.

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Morris: --than at Columbia or one of the other colleges?



Rice: Yes. It was much, much cheaper. It was nominal tuition. Whereas the tuition at both Columbia and NYU was expensive, relatively like what it is today. So it was really the relative expensiveness of going to CCNY.

Morris: Could your brother provide room and board, or did you have to go out and--?

Rice: No, my brother was able to--

Morris: Was he married then, or were you a couple of bachelors--

Rice: Yes. He married a couple of years after.

#### Career Choices: Economics and the Depression

Morris: Did you consider the ministry in going through college and making some career choices?

Rice: No. By the time I got to college, I knew I didn't want to be a minister. I grew up thinking I wanted to be a physician. Well, I might have entertained the idea while my father was alive, or shortly after my father died. But by the time I was a big boy and thinking about college, I had already decided I was not going to be a minister.

Morris: Any special reason?

Rice: I think I thought doctors made more money. [both laugh] In my family it was an equally acceptable profession. In my family, acceptable professions were the ministry, of course, first, and medicine. But not law. I don't know why.

Morris: That's interesting. Yes.

Rice: There was never any mention of my becoming a lawyer. And it never occurred to me that I wanted to become one. Never. Of course, teaching, but there was no money in teaching, so why be a teacher?

Morris: What you are saying is that you were concerned about doing well financially.

Rice: Yes. After my father died, yes.

Morris: Yes. To grow up in hard times makes it very important.





Rice: Right.

Morris: Did you, your mother, brother, and sisters talk about what Emmett should be when he grew up, or did it just kind of come out?

Rice: Oh, sure. We talked about it when I was quite young.

Morris: And then you settled on business administration.

Rice: I settled on economics, although I took business administration. I settled on economics because, in those days, there wasn't a lot of difference. Yes, in a sense you are right. I decided to do business administration, but in the process of doing business administration, I got interested in economics. But economics was very much in the business school. As a matter of fact, there were more economics courses in the business school than in the arts college.

Morris: Economics is not everybody's dish of tea. What appealed to you about it?

Rice: I was also a child of the Depression. There was a great deal of unemployment as far back as I could really recollect. When I really came to consciousness, we were already in the Depression. There was a lot of suffering. Twenty-five percent of the country was unemployed. I wanted to understand an economy which allowed this to happen. I wanted to see if it was really necessary. And I wanted to understand the workings of an economic system where this kind of thing happened. I wanted to see if there was anything that could be done to alleviate some of the poverty and pain and suffering, social unrest that I saw.

So I think that was the thing that drew me to economics. But, of course, it carried a certain interest in and of itself. It is an interesting subject, even if you don't care anything about people. But I think I was drawn to it, really, not so much out of fascination for what economists do, but out of a desire to understand how and why things couldn't get any better.

Morris: Yes. And what external events make them go bad. The Depression was also the time when there were some fairly strong governmental efforts to intervene and make things happen in the economic sphere. Did the political aspect of Franklin Roosevelt and New Deal programs have any interest for you?

Rice: No. Just something that you read about, I guess. I hope I'm understanding you. I knew that these programs were designed to make things better; to try to correct some or to alleviate some of



the social dislocation that was taking place. But that's mostly what I read about in the newspapers.

Morris: You mentioned earlier that you'd had some Republican officeholders in your family.

Rice: My grandfather.

Morris: Yes. With your grandfather, was the fact that there was now a Democratic president who was making efforts to do something about some of these economic situations of any interest?

Rice: No, I must say I wasn't--

Morris: You weren't a political-type young man.

Rice: No, I didn't make these kinds of political distinctions. The difference between Republicans and Democrats was of very little interest to me. I could have gone either way, actually, except that the Democrats seemed to be--by the time I grew up, Roosevelt, of course, was still president--he was president when I opened my eyes, and he was president when I grew up [both laugh]. So I knew that he was trying to do things that Republicans generally had little sympathy for. I identified with what he was trying to do. I thought that was good.

### Burden of Racial Prejudice

Rice: But you have to keep in mind that the dominant influence that I felt on my life at that time and for a long time after was the impact of racial prejudice. It was all-pervasive. This was the main thing that I felt happening to me--all the time. It was always a constraining influence. It was always a tremendous burden that had to be born and adjusted to. It was pervasive. I mean, it was entirely--everything that happened to you was influenced by your color.

Morris: This was in New York as well as in South Carolina?

Rice: This was in New York as well as in South Carolina. But the impact was different in New York. It was more complicated in New York. In South Carolina it was more overt and brutal, but it was equally true in New York. New York was a pretty segregated town. Residentially, all black people were pretty much segregated in one part of town, which was horrid. They were beginning to break out when I left. Of course, there were black neighborhoods in



Brooklyn as well, and smaller black neighborhoods in Long Island. But for the most part, black people were confined to particular neighborhoods.

Morris: And in those neighborhoods, they were primarily black families that had lived there for years--and people from the South? They hadn't yet begun getting people from the Caribbean basin?

Rice: No. There were a large number of West Indians who had already migrated from the Caribbean, a large number. Many of my friends had either themselves come directly from the West Indies, or were children of West Indians. So New York had a very large population of West Indians. And a lot of them preceded me in the black migration from the South in the 1930s.

No, I was going to say that the main thing impacting my life as I experienced it was the racial thing. And neither the Republicans or Democrats were doing anything about that. On that issue there wasn't much difference between them. As a matter of fact, the Republicans--I mean, since the South was almost solidly Democratic in those days, and the Republicans were strong in the North, where things were somewhat easier, one could think of the Republicans as being somewhat better on racial matters than Democrats.

No, this was in the process of changing during the Roosevelt years, but not much. Roosevelt was not known as somebody who was interested in civil rights for black people. He really didn't lift a finger about racial segregation in the armed forces. So, while I was sympathetic to many of the things that Roosevelt was doing in the social arena--broader economic areas--I thought it was--

Morris: It didn't address your feelings.

Rice: I did not address my problems. And so I wasn't all that involved. I wasn't politically active, and I didn't have any strong identification with either the Republican or Democratic party.

#### Social Life: Fellow Students

Morris: What did involve your activities and energies in addition to your studies in college? Did you have time for sports or--?

Rice: Oh, the YMCA.



Morris: In Harlem.

Rice: That was our social life, and also where we did sports. Yes, the YMCA was the gathering place of black middle class kids in Harlem at the time. And we did all kinds of things together.

Morris: Were there some professional YMCA leaders who were black?

Rice: The head of our YMCA was black. That was a full-time professional job, to run a YMCA. There were a few men on the national YMCA board--none that I knew of.

Morris: There was a YMCA college in Springfield, Massachusetts. You can go to Springfield College and you end up trained to run a YMCA. I wondered if--

Rice: None that I was aware of. The YMCA, too, was totally segregated. Everything was segregated in those days. There were no white members of our Y, and we couldn't join the white Ys. Whenever a black boy went to try to join a white YMCA, he was always referred to the Harlem Y. We could not live in, get a room in, a white YMCA, outside of Harlem. They wouldn't let us live in a white YMCA. Neither would they let us join. They wouldn't let us use the facilities.

Morris: That's really curious because somewhere up above, as you say, there was a board of directors--

Rice: For the country?

Morris: For the country.

Rice: They were in favor of segregation as well. I mean, they didn't lift a finger to do anything about it. No, this was just generally accepted, that it was part of the pattern of racial prejudice in the country. And no one was surprised. You know, everyone was dismayed when they heard that some young man tried to get a room in a YMCA that wasn't in Harlem. Every once in a while you heard about somebody who was in town from New England who didn't know that you had to stay in the--someone who came from a community where there weren't a lot of black people, weren't enough blacks to build a separate facility, or to effectively segregate. Somebody would come to town and try to get a room at the first Y he came to, and he was always referred to the Harlem Y. No, we accepted that as normal, natural. That's the way it was. We didn't like it; and were upset about it, and constantly wringing our hands about how difficult it was, but--





Morris: And thinking that there should be some efforts to move beyond that stage?

Rice: Oh, yes.

Morris: Any people in particular from your college days that were of an influence, or that you've stayed in touch with who were--in your generation? Friends.

Rice: Not on a regular basis. I see them every once in a great while. I read about them. A number of them are distinguished people now, judges mostly.

Morris: Really. So there was a group that did go into the law.

Rice: Oh, yes. I was just talking about myself. No. A lot of blacks have gone into law, as you know. Especially since World War II. There weren't many before World War II. But since World War II. Yes. A lot of them are judges, some are in politics. One of them was police commissioner of New York City. Some of them, after they finished college, went into the police department, and worked up in the police department.

Morris: Was that the first group of blacks to go into the New York Police Department?

Rice: No.

Morris: That's been around for some time?

Rice: No. I think that this was the first wave of college graduates. You see, up until then, most of the policemen were just required to finish high school. But then--

Morris: Police work became upgraded.

Rice: Not only that, but professional jobs were hard to find, and many of the people, for example, who had majored in English or history couldn't get any jobs. This was the job you could get, and open competition, and of course, other people went into the police department, and the fire department, and it worked out.

#### Professors; Master's Program in Business

Morris: Were there any professors at City College that were really an inspiration to you, or helpful, or encouraged you?



Rice: You know, I was thinking about that last night when I read your letter, and I can't think of any. I didn't have a great deal of personal contact with professors.

Morris: Were they big classes?

Rice: They were big classes the first two years. But even in small classes, the relationship was very formal. None of the professors took a special interest in me, as I recall. No, I just can't think of a professor at City College who had a great deal of influence on me. You know, City College is an urban institution, and I lived at home--

Morris: There's not much in the way of the rosy college life?

Rice: There was nothing in the way of the rosy college life. There were no residential students, so there were no dormitories. Everybody commuted from home to school, and from school to back home. And that is all there was: home-school, home-school. So one didn't build up strong college ties. And the relationship with professors, in my experience, I don't know about others, but in my experience, was very formal.

And the relationship with students was formal. There were very few opportunities to get to know students. You sit by a student in a class like you sit by somebody on the subway. That's the way it was. There was a considerable amount of prejudice against blacks. Not overt, but people didn't make friends with black students. White students did not make friends with black students, generally speaking. So I knew very few.

I knew some. But it was the exception rather than the rule. The black students, as I said, tended to know each other either through the Harlem Y or getting together at school by making an effort to get together. There was a black student club at the time called the Douglass Society, and most black students attended the Douglass Society meetings.

Morris: Was that a political kind of thing or social--

Rice: It was not political. It was intellectual, scholarly. We had distinguished black speakers, and professors when they had something to say that was relevant to black problems and issues.

Morris: Occasionally, some white professors would come and speak?

Rice: Oh, yes. Yes.



Morris: Did you get active in that, and be on the committee or anything like that?

Rice: I wasn't on the committee. No, I wasn't on the Douglass Society committee.

I was trying to find a way to describe my feelings about the college. I just didn't have a strong emotional identification with that college. I was trying to describe the conditions which would enable you to understand that. Professors, as I observed it and experienced it--professors didn't go out of their way to cultivate students or influence them or bring them out. They would come in and teach a couple of classes and then go back to work.

Morris: Did you go over to Wall Street at all and observe what was going on?

Rice: Oh, yes.

Morris: Were those kinds of courses of interest to you? The money and investment and whatnot?

Rice: Yes, they were.

Morris: The Master's program was a year at that point?

Rice: Yes, that's right.

Morris: That's pretty good.

Rice: It was short. Yes. It could have taken longer, but I had gone to the same school and had taken a lot of the courses. You see, they were required. I had taken them as an undergraduate.

Morris: In a sense, you kind of did the Bachelor's and the Master's so that they overlapped?

Rice: Well, I wouldn't quite put it that way. The MBA had a unit requirement, but it also had a course requirement. Had someone come from another school, it would have been highly unlikely that they would have had the core courses that would have been required for the MBA. But these core courses I had had as an undergraduate, because they were just there, and I had just happened to have them.

Morris: What was your brother working in at this point?

Rice: He was a social worker at the time.



Morris: Was he somebody with whom you could discuss these feelings about discrimination and segregation?

Rice: Oh, yes. Yes.

Morris: He was also dealing with those.

Rice: Yes.





### III WORLD WAR II: LEADERSHIP AND BUSINESS TRAINING IN THE AIR FORCE

Morris: Did you and your brother both go into military service during World War II?

Rice: Yes. He got drafted. But we were not together. No, I went to Tuskegee, in the air force. And he went to some air field in Georgia.

Morris: You weren't drafted? Did you enlist?

Rice: I was drafted, but I became an officer.

Morris: Tuskegee was a very notable unit. Didn't you turn out some very fine men?

Rice: Well, we turned out the first black fighter unit.

Morris: Fighter pilots?

Rice: Fighter pilots.

Morris: Oh, dear.

Rice: Right. Later, a bomber group was organized, but the bomber group never saw combat. The fighter group distinguished itself in combat in Italy.

Morris: Did you fly?

Rice: I was not a fighter pilot.

Morris: That must have been an odd experience, to be in the air corps and not flying.



Rice: Not everybody had to fly. I did fly. I was in airplanes all the time. I was taught how to fly an airplane, but not by requirement. As a matter of fact, it might not have been the right thing to do; I don't know. All I know is that some people insisted on showing me a thing or two when I was riding with them.

Morris: How did you get from the enlisted--?

Rice: I went to officer training school.

Morris: That was at Tuskegee?

Rice: No, that was in Miami and at Harvard.

Morris: Harvard doesn't sound like a place for training air force officers.

Rice: Well, there was an air force school in the Harvard Business School--believe it or not. I graduated from that air force school. But the first course was divided into two parts. You had to go to Miami before you went to Harvard. So I went to Miami first and then completed that part of the course, and was transferred to Harvard where I completed the rest of it. The Harvard Business School.

Morris: That's pretty good stuff [both laugh]. What did you learn in Miami?

Rice: Things like logistics. Basically how to be a leader, military leadership. How to manage men in--

Morris: Useful skills.

Rice: In a military situation. We learned soldiering. Learning how to make camp and how to set up security arrangements after you have made camp. That kind of thing. You know, training to be a leader in combat. That's basically what that was. A good part of that was logistics.

Morris: How to get the men and the equipment where you need them?

Rice: Where you want them. Yes.

Morris: And, then, there was a business school section of that? How to manage the accounts?

Rice: No--

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Rice: --And a school for training finance officers. But this was not it. No, but this was what was referred to for lack of a better way to describe it--statistical control. There were a lot of variables that had to be accurately measured and analyzed. To a degree, these magnitudes lent themselves to statistical manipulation.

Morris: Punch cards and tabulating machines.

Rice: That kind. Yes. And so, the air force took people like me who had had some business training, and had had some statistics and accounting, and background business exposure. They took such people and sent them off to the business school.

This was the first effort at trying to apply quantitative management techniques in a military situation. The air force was the first to do it. Of course, all armed services adopted it later. But, the air force did it first and demonstrated its usefulness. You might be interested to know that the technique was developed by the so-called Whiz Kids. Have you ever heard of them?

Morris: Yes.

Rice: Robert McNamara. He was the instructor at the business school.

Morris: Didn't he invent program budgeting?

Rice: He also, by the way, is a graduate of the University of California.

Morris: Right.

Rice: You might know that. You might want to interview him sometime. I know him, by the way. Our paths crossed several times. I was at the World Bank when he came to the World Bank as president.

Morris: Was there a California alumni group there?

Rice: No, there is a California alumni group in Washington. And I know some of them.

Morris: There was one at the Federal Reserve Board in New York at one point.

Rice: I didn't know that.



Morris: Well, I think it would have been earlier. Robert McNamara was part of this process of the air force developing a quantitative management--

Rice: Quantitative analysis. Right.

Morris: Yes.

Rice: Tex Thornton, who later went on to become chairman of Lytton Industries. All these people moved to Ford after the war.

Morris: On the strength of this quantitative--

Rice: This quantitative theory that they had developed. I hate to call it theory, but this quantitative management approach that they had developed while at Harvard Business School.

Morris: For the air force?

Rice: For the air force. They moved, all five of them, all five Whiz Kids. Arjay Miller was the name I was trying to think of. Have you ever heard of him?

Morris: Oh yes. Sure.

Rice: He was later dean of Stanford Business School. Yes. Well, Arjay Miller was one of the Whiz Kids, I think.

Morris: I think I have heard that.

Rice: I know that Arjay was at Ford when McNamara was president. He became president after McNamara left. They were young instructors themselves, just out of graduate school. These young instructors of the Harvard Business School developed a technique, a quantitative tool to facilitate management. It involved statistical analysis and accounting and all those kinds of things. And they developed this course for the air force. That's what I did.

Morris: These guys were your instructors? Or had they already gone--

Rice: I think some of them had already gone into the military by that time. Some of them were. But most of them had moved on and had left the teaching to the people they had trained. All these fellows were, by that time, assistant professors or associate professors or full professors in the business school. They were regular business school faculty. Whereas, these younger people who had developed it had moved on. Tex Thornton was, by the time





I got to Harvard, Tex Thornton was already in the air force. He came into the air force laterally from what he was doing.

Morris: So you learned it in its early stages.

Rice: I guess you could say that.

Morris: That whole wartime period, in years, was not terribly long.

Rice: It was four years. To me, it was four and one half years.

Morris: Yes. But to bring about a major change in how you do things--in four years? Was this quantitative approach significantly different from how management made its decisions--?

Rice: No, it was a way of getting the data that you needed to make decisions. A way of getting the data you needed to make management decisions. After you got the data, you had to make decisions on what you could do with it; what you could get out of it. If you had to ask yourself, how do you analyze this data so that is useful for your commanding officer.

The fellow who did this was a staff officer, which is what I was when I went back to Tuskegee after getting out of the air force--as an officer, they transferred me back to Tuskegee by way of Maxwell Field, which was the regional headquarters. My job was to be a staff officer who did this for the commanding officers.

Morris: It sounds like two MBAs, one right on top of the other. Yes? Did you learn that much more in the Harvard program?

Rice: It was just an advanced course with some new ideas. That is really what it amounted to. It was some new ideas as to how to get the numbers that you needed.

Morris: Did you go overseas?

Rice: No, I didn't go overseas.



IV DOCTORATE AT THE UNIVERSITY OF CALIFORNIA AT BERKELEY,  
1946-1954

Considering Business School or Medicine; Coming to Berkeley

Morris: Were you already thinking about going on to get a Ph.D. at that point?

Rice: I had thought about it, and made the decision while I was still in the air force. But when I made the decision, that is, whether I made it in the last two, three or four months, or whether I made it five years earlier, I don't have the foggiest. I think it was toward the end. But I'm not sure. I don't recall giving it much thought.

Morris: You just wanted to go do some more studying?

Rice: No. What I was trying to say was that in the air force, this is a wartime situation. You were very busy, and you didn't have time to do a lot of expansive thinking about what you are going to do after the war. What you want to do is get through the war. That is what I was mainly concerned with and consumed by, actually, getting through each crisis or problem. And toward the end, after the war had been won and you knew that you were going to be a civilian again, then I remember having already decided I was going back to school. What was there to do? You go back to school. I was not prepared to do anything. Nobody was going to hire me to do the things that I knew how to do. In those days, people didn't hire professional blacks in business. So it would have been very unrealistic to expect to get a job in a business that could use the training and skills that I had.

Morris: But you'd already gone and committed yourself to getting those professional skills.

Rice: I had already done a business administration Master's. I already had a certain amount of experience. I would say had I been white, one of my options would have been to go to work for a large private corporation.



Morris: Yes. What were your options as a black person?

Rice: As I saw it, my only options were which kind of graduate school was I going to. Was I going to continue to study economics? Where was I going to try to get the basic courses, finish basic courses that would be necessary to get into medical school?

Morris: So you were still thinking about medical school at that point?

Rice: Well, I don't think I was thinking seriously about it. But I certainly was entertaining it because my mother was still trying to get me to seriously consider it. I wouldn't say pressuring me, but she was insistent. This was a sure way to get ahead, and I wasn't clear about what I was going to be doing with economics. Her reasoning was that if I wasn't clear about what I was going to do with economics, what could I do with it? She was absolutely right.

Morris: What about teaching at Howard or Tuskegee or--?

Rice: That might have been an option. But not at that time. I had to go and get a Ph.D.

Morris: But you were interested in how business worked? Were you looking for ways to get into the corporate world?

Rice: It was unrealistic to expect to get into the corporate world.

Morris: Was the G.I. Bill education benefit something that helped make the decision?

Rice: Sure. It helped me. Yes.

Morris: How did you happen to pick Berkeley? That is a long way from South Carolina.

Rice: Well, I don't really know. I can't give you a good pat answer. During the war, at Tuskegee, I had met some people from California. So some of my friends were from here. And one of my best friends, actually, had gone to U.C.L.A. as an undergraduate. As it turned out, he came here. But we didn't work that out in the beginning.

Morris: Who was that?

Rice: That was Luther Goodwin. Luther became a certified public accountant and a lawyer both.



Morris: That's a dynamite combination these days.

Rice: Yes. He is dead now, though. But he was one of my good friends, both in the air force--he was a pilot, by the way. He was one of the people who insisted that I--

Morris: Learn how to handle the wheels? [both laugh]

Rice: Well, that was one factor. But I don't think it was terribly--

I knew that Berkeley was an excellent university. Even in those days it had an excellent reputation, high standards, a first-rate university. Part of the negative influence on me was the experience at Harvard. I had been there and I knew I didn't like it. I didn't want to go back to Harvard. I knew that.

Morris: Because it was wartime, or because--?

Rice: No, I just had the impression that it was a terribly cold, formal place. And it was just more isolation for me, I thought. I could have been dead wrong. In fact, I think I would have been wrong had I gone. But based on my experience while I was there, I found the place terribly formal, and I just didn't see myself enjoying my life here. So I decided to take a long shot. And from my point of view, Berkeley was a long shot.

Morris: Did you come out and look it over before you just--?

Rice: No, the first time I saw it I was already a student here.

Morris: Was it a complicated process to be accepted to the graduate program?

Rice: No, not in those days. They were very generous and open-minded to veterans. I think almost any veteran would have gotten accepted.

Morris: Well, it sounds like you brought some pretty interesting experience yourself. That first crop of post-war veterans were, from what I have been told, a remarkable shot in the arm to many universities.

Rice: I tend to agree with that.

Morris: Had you had any advanced word that the University of California might be a little more open and welcoming--

Rice: I was told by my friends in the service from California that things were more open out here. But I didn't believe them. I just couldn't believe it. But they were right [laughs].





I think that while I said I didn't believe them, I did sense that they, well, they had an enthusiasm and a sense of identity with California that I did not have with New York. And that counted for something with me.

Morris: A sense of identity with the university?

Rice: No, with the state.

Morris: And they were people who had grown up here and gone into the service?

Rice: Yes.

Morris: A lot of people came to California because they had been stationed here in the service, or had gone through on their way to the Pacific. And I thought that might be you.

Rice: No.

Morris: Did you have in mind what you were going to work on?

Rice: Yes. I knew I wanted to study economics. I wasn't sure what my concentrations would be. I just knew I wanted to be an economist.

### Influential Professors

Morris: We haven't mentioned Mr. [John Maynard] Keynes. I was wondering. Lately, his economic theories have been discussed as being, maybe not perfect. But, am I right? in the 1940s, they were beginning to be very influential in American economic thinking and politics?

Rice: Oh, yes. I think all graduate students read Keynes. He was just terribly influential because he had made a major contribution. He solved a puzzle that had baffled a lot of people up until that time. Some people were convinced that he had solved the puzzle, and others were not convinced. But most of the people I knew were convinced.

By the time I was a graduate student, people were ceasing to call themselves Keynesians or anti-Keynesians. The debate had been pretty well won, and Keynesian theory, the basic notions of the general theory, which was his major contribution, was pretty well integrated into economic thinking. I never thought of myself as a Keynesian any more than I thought of myself as a Hicksian or



Robinsonian or anything else [both laugh]. Neither do I think of myself as an Adam Smithist. It was a theory which seemed to be pretty well demonstrated with some corrections here and there and with some elaboration here and there. But as a basic approach to macroeconomics it was pretty well integrated and the argument was pretty well over. It was just the refinements that were being debated; and also extensions were being debated.

Morris: That was the case when you got here to Berkeley?

Rice: That was happening when I got here. And by the time I left I thought it was pretty well through. By the time I left, I would say, if anybody had asked me if I was a Keynesian, I would have said, "No." I would have said that I wouldn't have wanted to be labeled that way because it might carry some connotations that I don't know that I'd agree with. But I'd be the last to deny that it was a major influence on economic thinking at the time and on the major economic thinkers of the time. And therefore, through them, me.

Morris: Who were the people who were most influential in your work here at Berkeley?

Rice: It is hard to pick out any one person. There were a number of people who took a personal interest in me; and who helped me develop intellectually. And that was the great difference between my experience here and my experience at City College. A number of professors took a personal interest in me and tried to draw me out and encourage me. One of those people was M. M. Knight, who died recently. Another was Frank Kidner.

Morris: I think of him in administration.

Rice: Well, Frank was a teaching professor when I was here. As a matter of fact, I was one of his teaching assistants for a while. Other influential professors were Norman Buchanan, Robert Brady. Brady was a great iconoclast. He criticized everybody. There was something wrong with everybody. He was a great cynic. He felt nobody was honest; everybody was trying to get away with something.

Morris: Everybody in economics was trying to get away with something?

Rice: Yes.

Morris: Among the theorists, or people out in the business world?

Rice: Everybody.

Morris: You and me?



Rice: Well, no, we were honest. Only you and I are honest [both are laughing]

Morris: That really can turn your thinking on sometimes. When somebody is--

Rice: It's very challenging when somebody is a total iconoclast. Nothing is sacred. Nothing. Nothing is to be believed.

Morris: I take it he was teaching a contemporary course.

Rice: No, he taught history of economic doctrine. That was the only course I took with him: history of economic doctrine. I guess I am trying to name these people in the order of their influence on me.

There was a man named Leo Rogin who died while I was here. He died shortly after I came, as a matter of fact. I never really got to know him. I remember him, though, because I walked into his class totally unprepared for the kind of course that he was teaching. And I didn't know that I was totally unprepared. It was also a course on the history of economic doctrine; except that he picked out four economists whom he dealt with in great detail. We had to read everything they had written. I didn't realize it was going to be as rigorous as it was. I was totally unprepared for it. So I really struggled through that course. It was really a rugged introduction to--shortly after I got here. I really was not prepared. And I didn't know I wasn't prepared for that.

Morris: After all the work you had done, it would be a shock to find something you--

Rice: Oh, there were a lot of things that I wasn't quite prepared for, you know. There are a number of areas of economics that are quite specialized. And if you haven't done all of the preparatory work, all the prerequisites, you are lost if you come in at an advanced level. This course assumed a much higher level of theoretical understanding than I had had time to get at that time. I struggled through the course.

He did teach me something that has stayed with me over the years. And that's why I remember him. Even though I struggled in that course, I learned something. I learned a lot, as a matter of fact, not just something, I learned an awful lot. I learned something about his way of looking at things. It was highly useful to me.



Morris: He wasn't the kind to make this challenge to what everybody was thinking.

Rice: Oh no. No, he was a man who had a lot of faith in people and other economists. He was a believer, whereas Brady was an unbeliever [laughs]. But both were good teachers. Brady's course was a more general course.

Morris: Like a survey?

Rice: It was a year course that you started with Aristotle--or Plato, actually, because Plato in his view is the first economist. Then he brought us all down to Keynes. It was a course from Plato to Keynes in a year. So that was always the general survey course. Whereas the course I was just mentioning, with Rogin, was a course in the fourth quarter of the nineteenth century: Austrian economists with one exception. It included Menger, Bohm-Bawerk, and a French economist--they were Austrian except the one--a third whose name slips me, and a French economist named Vallrois. Maybe it was just the three of them. But at any rate this was just a chunk, a twenty-five-year span between 1875 and 1900. They were the Austrian school of economics, which was the last half of the nineteenth century. And these were the stars and Vallrois, the Frenchman, who was a pioneer in his own area.

Morris: Were these people interested in a planned kind of economy?

Rice: No no. They were market-oriented, entrepreneurial economists. Their models were based on competition, market competition.

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Rice: The question he used to ask about each of these economists was, "What is his strategic factor?" What is it that causes him to see things the way he sees them? Unless you can isolate that strategic factor, you are not going to understand what he is getting at. That was his approach, and it's a very useful way of approaching the thinking of somebody who even is not an economist.

Morris: That strategic component is not necessarily in the data that you are working with. It could be in the person themselves.

Rice: It always is.

Morris: Where he is coming from.

Rice: Yes.





Living at International House

Morris: You lived in International House. How did that come about?

Rice: Two things, I would say: One I wanted a pleasant environment to live in, and, two, I wanted to be exposed to people from different countries.

Morris: And a collegiate kind of experience, since you had been a commuter at C.C.N.Y.?

Rice: Yes. And it certainly was that. Those were two enjoyable years at International House. It was very broadening, stimulating, and therefore enjoyable.

Morris: How many students lived in I House in the late forties?

Rice: I would guess three to four hundred.

Morris: And the whole campus was what in those days?

Rice: The number seventeen thousand sticks in my mind.

Morris: Things would have been pretty crowded because there would have been--am I right--there would have been a lot of students coming back from military service?

Rice: Yes. It was crowded. There were people everywhere. But it was not overcrowded. It was not so crowded that you felt cramped and uncomfortable. There was still a lot of open space on the campus. And you could see the eucalyptus grove from Wheeler Hall. All these new buildings that you see on campus now were grass then, and shrubbery. Is there still such a thing as two creeks on campus?

Morris: I only know of one.

Rice: Oh, no. Is there such a thing as Faculty Glade?

Morris: Faculty Glade is still there. I think that is cherished by everybody. And besides, there is a hill on one side. It would be difficult to build on it. Where was the second creek?

Rice: On the other side of campus. One was near Faculty Glade.

Morris: Yes. That is Strawberry Creek, which is still there, although part of it runs underground.

Rice: The other was on the other side near--



Morris: Near Hearst Street?

Rice: Near Hearst Street.

Morris: Near what was then the Naval Architecture building, now the Journalism School?

Rice: Right.

Morris: How many of those graduate students were from this country, and how many from overseas?

Rice: I'd say the proportion was something like one-third American and two-thirds foreign. Almost everybody was a graduate student. There were very few undergraduates. There were some; I'd say not more than 10 or 15 percent. In fact, I only knew one. But I know there were others around.

Morris: How was the ethnic mix?

Rice: The majority of the foreign students were from Europe, various countries in Europe. Let me describe how it was. The majority were from Europe. There was a very liberal sprinkling of Asians: Chinese and Indians. There were more Indians, I think, than Chinese. And no Africans--one African. Now, that's not surprising since in those days the African countries were not independent. They became independent starting in the late 1950s. Ghana became independent in 1957 or 1958, to be exact; and Ghana was the first. Continuing into the 1960s, other African nations became independent. After that, they began to come in some numbers.

Even so, Stanford attracted some African students from Kenya.

Morris: --that you got to know while you were here?

Rice: Yes, whom I got to know while I was here. It was interesting that they went to Stanford and not here. Maybe they got scholarship money at Stanford that was not available here. It is possible. At any rate, I got to know two of these. One was in the medical school at Stanford, and one was a graduate student in political science. I got to know the graduate student in political science rather well; and then I persuaded him to transfer after he graduated from Stanford--to transfer from there after he got his Master's degree from Stanford. And he did transfer to here to get his Ph.D.

Morris: Really. In political science?



Rice: In political science.

Morris: I thought maybe you were going to convert him to economics.

Rice: No, I couldn't do that. And both of them later became ministers in the Kenyan government. One of them became the first minister of commerce and then [a minister in?] the Holiness Church. The other fellow, who was studying medicine, was the first minister of health in Kenya.

Morris: Not terribly long after they--

Rice: I'd say ten years after they finished their graduate work they were ministers in the government. I visited Kenya during the time that they were ministers.

Morris: How did you get acquainted with students at Stanford?

Rice: Back and forth. There was constant contact with graduate students there and graduate students here.

Morris: Did you have on-going seminars?

Rice: There were people who transferred from here to Stanford. There were people who transferred from Stanford here. And there were also people who finished up here and got instructorships at Stanford. And that was another way I got to know people there.

Morris: Were there joint seminars?

Rice: No, there were no joint seminars that I can recall. Just personal contact.

Morris: The professors would have a group of you for a meal, and then have somebody from Stanford come over?

Rice: That was a possibility. Yes. And professors did that in those days. They did invite us to their homes for a hamburger or [laughs] whatever.

Morris: Beer and potato chips and that kind of thing.

Rice: Sure.

Morris: Did that make you uncomfortable to begin with, having felt--?

Rice: Not at all. No, just the opposite. It was a great experience for me. I enjoyed it very much, looked forward to it. I wished I'd experienced it earlier. I was listening to professors--but maybe I can get back to that. Go ahead, we'll finish with I House.



Loyalty Oath Controversy, 1949-50

- Rice: I didn't list all the professors that I thought had a very good influence on me. The beer and potato chips reminded me of Earl Rolph, who I think is still around. He is the only one I think, that is still alive. And I think Earl is still associated with the department emeritus. And Howard Ellis.
- Morris: Was he somebody special?
- Rice: Not special, but encouraging. Here is somebody who was special: William Fellner. He left Berkeley while I was here, and transferred to Yale.
- Morris: He didn't leave in the loyalty oath trouble, did he?
- Rice: He left during the loyalty oath. He was one of the few people in the economics department who left in disgust about the loyalty oath controversy. And he was not a liberal by any means. He was a very conservative economist. He was European-born. He went to Yale, and stayed at Yale. When he retired at Yale, he came to Washington, and he was one of the members of President Ford's Council of Economic Advisors.
- Morris: I thought I had heard that name before.
- Rice: He died just recently in Washington. We had reestablished contact and used to see a great deal of each other. Indeed, he was one of the consultants of the Federal Reserve Board.
- Morris: You said he was disgusted by the loyalty oath? Did he feel that the public governmental authorities shouldn't have any say in academic governance?
- Rice: I think he felt that, but he felt even more that it was irresponsible to divide a university on an issue like that. And it was terribly divisive, you know. It upset a lot of relationships, and a lot of structures in departments. For example, in the economics department, the whole succession of the chairmanship of the department was upset. Indeed, Clark Kerr, had there been no loyalty oath controversy, Clark Kerr never would have been chancellor of the university. Never.
- Morris: Because he was out of the line of succession?
- Rice: He was out of the line of succession; nobody ever thought of him as being presidential material. I'm serious! It is just true that he was never thought of as presidential timber. He came to





the attention of the people who had influence as a result of the loyalty oath controversy. He was, of course, an industrial relations economist, a great mediator. He came forward as the person who tried to mediate in this controversy between various factions. In the process, he came to the attention of some of the people, I think, in Sacramento--or the regents and the people pushing this. They then concluded that he was the kind of academic that they could do business with. And they selected him over other people who had been thought of as--

Morris: Yes, who had, maybe, more seniority.

Rice: Well, who had been thought of as having more administrative promise--as being more presidential. I hate to say this, but it was generally thought that a man named Malcolm Davisson who had been up until that time--until the time of the loyalty oath controversy--had been chairman of the department. The general expectation, if not assumption, was that he was going to move up to--

Morris: --to be the chancellor or president?

Rice: Yes, that was certainly possible that he was going to be chancellor--probably the next chancellor. He had been kind of groomed for that, you know. Do you know if he is still alive? Do you know if he is around?

Morris: Clark Kerr still is around, and so is Malcolm Davisson; Davisson is now professor emeritus.

Rice: He was thought of as the man who was up and coming. And he was going to follow the path that Kerr followed. I am not saying that Kerr was not a--this is not my judgment. This was just the feeling of the time. The point that I was trying to make was that Fellner felt that it was irresponsible to allow this kind of divisiveness to occur and cause such fission in the university. He just didn't want to work with this kind of environment.

Morris: I can see that it would be very troubling.

Rice: And luckily, he didn't have to. He got a better job at Yale. He became Sterling professor at Yale.

Morris: Was the thinking that Robert Gordon Sproul would not last; that he would be departing as--?

Rice: No, he was getting to retirement age. That was all. And he did retire. As I recall, he was not fired.



- Morris: He had been a fixture around here for so long that I don't know that you would fire him.
- Rice: I was not aware of any strong move to get rid of him. It is just that (I may be hazy on this) he had been around long enough and wanted to leave. Kerr, of course, did not replace him. I think they created a new position called chancellor. Up until Sproul's time there had just been the president. They did not want to make Kerr president; so they created a new position called a chancellor, which I think is somewhat below the president. Later, Kerr became president.
- Morris: We are collecting Robert Gordon Sproul stories too. I don't know whether he would have been terribly visible to graduate students.
- Rice: Oh, he was visible. Oh, sure. It was hard to get access to him, but he was visible.
- Morris: Did you get involved in student activities and wish to call upon the president for--?
- Rice: No, I never had occasion to call upon the president. But I heard stories of people who did.
- Morris: From the faculty, or student organizations?
- Rice: Students.
- Morris: Were there questions of student government that were of concern to your generation of students?
- Rice: Not that I recall. Just the loyalty oath controversy. That was the only thing I recall that students really--that graduate students got involved in. Graduate students tended to side with the faculty--the part of the faculty that was opposed. And that is the only thing that I can remember.
- Morris: It was very bitter.
- Rice: Terribly.
- Morris: Were you a teaching assistant by then? Did that begin, sort of, as soon as you came to the campus?
- Rice: No, I didn't get to be a teaching assistant until a couple of years after I got here.
- Morris: How did you find that experience?



- Rice: I enjoyed it. The only thing I did not like was correcting the papers.
- Morris: Did you have an assistant to do that?
- Rice: No, I had to do that myself. We had to teach, as I recall--we had to teach six hours a week and correct the papers of the students in our section.
- Morris: That is a fairly heavy load if you were by then into your dissertation.
- Rice: Yes. All I can say is, "Yes."
- Morris: But you did it. Do they give you any orientation, or are you just presented with a classroom of students to teach?
- Rice: You are just presented with a classroom of students. You are assigned a classroom of students. You are assigned a list of students, and a classroom, and you go in there and teach. I enjoyed that. It was again a very broadening influence.

#### Social Openness; Employment Difficulties

- Rice: I did not get a chance to say this when we were talking about Berkeley, about the university here, but it was my first experience where I felt almost free. There was a tremendous openness around in those days. It is no longer true, but people did not lock their doors. People used to pick up strangers. No one hesitated to pick up a hitch-hiker. There was an atmosphere in which people tended to respond to other people as individuals., just generally speaking, especially in and around the university. And that was the first experience of that kind I'd ever had. It was the first living experience--extended over time--where I did not feel the constant pressure of being black. And the first time I had the experience of people relating to me, not so much as a black person, but as another person, was here.
- Morris: As another person interested in the same things.
- Rice: Right.
- Morris: Previously to that, was your sense that people--was it a question of eye contact, or lack of eye contact, or just that they didn't speak to you or speak at you?



Rice: No, it was not a matter of eye contact. It was a matter of having certain preconceptions about all black people. Since you are one of them, the relationship is limited to what you think, what the white person thinks is possible--what kind of relationship it is possible to have with a black person. That is really what you mean by prejudice. You have already prejudged what you are going to experience. You already made up your mind in advance what kind of person you are going to be dealing with because of the color of his skin or some other characteristic. You can have all kinds of bases for prejudice, but this is how it works out. This is the way it works in its worst form. Anybody who physically conforms to certain characteristics, you then assign certain attributes to the person. Once you do that, you have already structured the relationship. You have set its limitations and possibilities. And that is the way it always was with me. And, I think, with all black people in their relationships with white people.

As I was saying, the first time I had experienced anything different from that was here. Therefore, it was again terribly broadening, and a developing experience. That is in part what I House was.

Morris: So, at that point, did you look for any activities particularly related to black students?

Rice: No. Again we were widely dispersed. And things were so easy around here that there was nothing pushing us together. There was no reason to organize. As far as I recall, there was no black club. I knew a number of black students--I didn't know them all, but I knew a number of them. You know, we knew each other, but we didn't organize. There was not reason to.

Morris: Could you put a number figure on how many black students there might have been at--?

Rice: I couldn't guess. I really couldn't guess. That is how it was.

Morris: A few people we have talked to were students in the thirties. And they remember fifteen or twenty black students all together. But that was at a time when the whole campus was half the size it was when you were here.

Rice: I'm sorry, twenty or thirty? Say that again?

Morris: Fifteen or twenty students in the 1930s who were black. And the campus would have been probably like eight thousand or nine thousand students.

Rice: What sort of estimates do you get for the late 1940s and early 1950s?





Morris: The only other estimate I have is the early 1960s. At that point there was a count, and it was like 220 black students, which was less than 2 percent of the student population.

Rice: Is that right?

Morris: Yes. When U.C. first started the Educational Opportunity Program, they did do counts.

Rice: I am surprised. I would have thought that there would have been many more.

Morris: I think we all did too.

Rice: I wouldn't be surprised if you didn't have two hundred around when I was here.

Morris: That is useful.

Rice: I was always seeing somebody I had never seen before.

Morris: The number sort of leveled off. Then the first year of the Educational Opportunity Program, they recruited 140 students, so that that year the population went up 60 percent. It went up from 220 to close to 400.

Rice: I don't want to give the wrong impression. I don't want to give the impression that there were no racial problems around at the time. There were some off campus. There were some restaurants around where black students were not welcome. While things were relatively open socially as compared to the East, there was more difficulty with respect to employment. That was one of the ironies. It was much harder to get a job on the West Coast than it was to get a job on the East Coast.

When I left, it was possible for a black person to get a job teaching at a major university in the East. And I went to Cornell for a year and stayed for six. But I could not get a job at San Francisco State or at the University of San Francisco. I could not get a job at the Federal Reserve Bank of San Francisco.



Assemblyman Byron Rumford: Fair Employment Debates##

Morris: Was it a matter of needing well-trained people?

Rice: No, it was not the latter. It was more a matter of public policy in the employment area--changing faster in the East than out here. There was very great reluctance to pass laws out here governing fair employment. When I was a graduate student there were great debates over years--long years--over fair employment practices. Most people were saying, "No--"

Morris: 1959.

Rice: Yes, it finally got passed in 1959. Well, by that time New York State and a lot of other eastern states had passed such laws two or three years.

Morris: Did you get acquainted at all with Byron Rumford?

Rice: Yes, Byron was on campus at the time. Byron was taking courses in political science.

Morris: After he got his pharmacy degree?

Rice: Right.

Morris: He was taking those courses in political science while he was in the legislature?<sup>1</sup>

Rice: Yes. While he was in the legislature; while he was running the drug store. Sure.

Morris: He is not very well.

Rice: I didn't know that.

Morris: If you were close enough to him to want to give him a call; it might really--

Rice: I'll do that.

Morris: He has lost a lot of weight; he is not the robust Byron that he has been.

Rice: Oh, I am sorry to hear that.

Morris: Was Byron kind of a person that people gravitated to?

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<sup>1</sup>Rumford was elected to the state assembly in 1948.



Rice: He was a kind of father-advisor. When you had a problem, you went to Byron. This was because he gave out good advice. Seriously. And he was of course older than the rest of us. So we kind of looked up to him, and went to him whenever we wanted to.

Morris: Did he try and recruit you to be helpful in some of his--?

Rice: No, he never tried to recruit me.

Morris: It was a long process.

Rice: Yes.

Morris: There were committees and activities, first in employment, then in housing, and then, in education--one right after the other.

Rice: While I was at I House, I made a speech to a student group there. It was on fair employment practices, and the need to do this. I hate to call it a speech because it makes it seem too important. It was not. It was a talk to a group of students--a kind of club--a kind of debating club--in I House. And indeed, it was a debate with some white American students taking the position that we don't need fair employment. I know how that sounds now, but back then, it was pretty--

I took the radical position that we needed to have these kinds of laws, which was from the point of view of some people way out of position. It appeared that I angered the director of I House who, at that time, was a man named [Allen C.] Blaisdell. He did not like it, I know that, because he spoke to me at one of the meals. We used to have open seating in the dining room. And anybody could come sit by anybody they wanted to.

Shortly after that, Blaisdell made it a point to sit by me at one of the meals. And he did that to make the point that he thought I was wrong, dead wrong, and should not be making statements like that to foreigners who might not understand.

Of course, I did not agree with him. But I did not realize how really incensed he was until the first time I was appointed to a high level government position and had the full field F.B.I. [Federal Bureau of Investigation] investigation. He reported this to the F.B.I.

Morris: Really? He remembered it all that time.

Rice: He remembered it; that's the thing that got me. It did not do me any harm. It wasn't seen as all that derogatory by the F.B.I., or they wouldn't have mentioned it to me. But they asked me if I knew Blaisdell, and what did I think of his assessment of-- because he had said something about my having made an indiscreet speech. I was shocked by the fact that he remembered. I did not realize that--this was at least fifteen years.



Morris: Do you remember a couple named Ernestine and John Green who--a couple of people have recalled that they worked with I House and were very helpful to black students. They could not remember whether it was as late in the 1940s or whether it was earlier.

Rice: I do not remember those names.





V FULBRIGHT FELLOWSHIP IN INDIA; ECONOMIC DEVELOPMENT STUDIES,  
1951-1952

Morris: It is a quarter past twelve. Is your friend going to be out there now?

Rice: At 12:30 p.m. I can go on for another ten minutes.

Morris: Okay. I'm not sure which came first: Your going on a Fulbright fellowship, or deciding on doing a study of capital development in India for your dissertation. I have you on the Fulbright in 1951 and 1952.

Rice: I had decided that I was going to do my dissertation on India. And the Fulbright came along at just the right time, so that I could go there and do the research.

Morris: What was it about India? How did you settle on--

Rice: I met some Indian students when I was in I House. I got to know some. And as a result, learned some things about India. As a result of learning something about India, getting interested in the economy, because right after their independence, they made a conscious decision to develop their economy within the framework of what they call a mixed economy. While we had mixed economies in Europe: in Sweden and Norway and Denmark, I believe, nobody called them that. And presumably, the Indians meant something different. By making so much of the mixed economy, they somehow proposed to combine a large public sector with a large private sector and make them harmonize and so forth. And I wanted to see how they proposed to do this--the kind of results that they were planning for. They were the first developing country to have a five-year development plan. [pause]

The thing that I was trying to remember was it was in the late forties that this whole business of the economic development in the developing countries struck the economics profession. Before 1947, 1948, there was no branch or area of economics that paid special attention to problems of economic development.



Morris: They had always been colonial problems of developed countries?

Rice: Yes, that is one way to look at it. They were ignored for the most part. They were seen as extensions--economic extensions--of the colonial power.

Suddenly, there was this whole notion of economic development and the belief that it was possible. There was the optimistic view that it would yield to scientific inquiry, the problem would yield! The economics profession accommodated this--the research that was going on at the time and the interest, by developing a field called the economic development of under-developed countries. Scores and scores of books are out on this subject and on different countries, but also on the theory of economic development.

Morris: Were there people that we mentioned here this morning who were connected to this area?

Rice: Connected in this area? Brady was interested to some degree. M. M. Knight was interested, very interested in this area. That is how I happened to get interested--through M. M.

Morris: That is what he was called around campus?

Rice: Right. M. M. Norman Buchanan was the man, who taught the economic development course.

Morris: So, you were kind of trailblazers.

Rice: Yes.

Morris: Were there other people in your years as a graduate student who were working in this area?

Rice: Yes. There were a number of other people--a fellow named John Dalton, who had a career with the United Nations economic commission for Africa. He did the pioneering--original work, for an American--on Ghana. And that was his dissertation.

And there were others, whom I cannot think of right now. There was a young lady who later became famous. Her name slips me, even though she is famous.

Morris: But distant. Were women sort of odd people to find in the graduate school?



Rice: No, there were several. When I say several, there were at least a half dozen. There was hardly a class in which you would not find one or two women.

Morris: Were the students that you met from India also studying in the field of economics?

Rice: No, none of them were. They were all in the technical sciences: engineering, physics, or biology, or something. They were not in economics.

Morris: And therefore, just as people who lived in the country, what they could tell you caught your interest.

Rice: Yes.

Morris: You must have been one of the first Fulbright scholars, too? Didn't that program--

Rice: Yes. I think it had been in operation something like two years.

Morris: A couple of years. Yes.

Rice: Maybe less. I would guess two years.

Morris: Did you just fill out a form and they sent you back the check and said, "Off you go?"

Rice: No, it was much more complicated than that. It was really pretty competitive. There were a lot of forms to fill out in the first place, and a lot of explaining to do as to why you wanted to go to India.

Morris: They did not think anybody would have any reason to go to India?

Rice: No, it was just routine.

Morris: You were interviewed, in other words.

Rice: You are interviewed, and everybody who applies for Fulbright fellowship has to go through this process, no matter what country you were going to. So, it was not the country; it was the process.

Then you had to get together letters of recommendation from your professors. And they counted a lot. I think they weighed those probably more heavily than anything else. Also, the topic of your research, what you wanted to study was considered. The applications went back to New York to some commission or committee



and they went over all these applications, of which there must have been thousands--not for India, but for the whole thing.

I guess each country had its own sub-group that did the selection. But I am only guessing. At any rate, after all this evaluation and stuff, they told you whether you were accepted.

Morris: Were Gandhi's ideas there of interest to you at all? Or was it purely the professional--?

Rice: No, it was the problem and the fix that the Indians found themselves in--the economic fix that they were in--the economic problem that they had to solve, I'll put it that way, which they had been trying to solve, with which they were faced at the time. The Indians were very optimistic. At that time they felt once they got their independence they could run their own economy. They could solve a lot of the problems that they had suffered with. So they were facing new problems, and they had preconceived ideas as to how to approach the thing. The Indian economists had debated the issues publicly and in the press and in academic literature before independence. There was a kind of consensus among the Indian economists as to what they wanted to do. And surely enough, when independence came there were several plans--economic development plans--that had been worked out and were presented to the government, were available to the government to pick and choose from.

The economic problem that India presented was the thing that fascinated me. I had no particular fascination for Gandhi at first, but I developed one after having lived there. When I came back from India I started to read Gandhi. [chuckles]

Morris: You found his ideas prevalent in the parts of India you were in?

Rice: I found--the short answer to your question is "yes." But I found that the Indian outlook on life was so foreign to me and so difficult for me to comprehend that I resorted to Gandhi to help me understand this outlook. And surely, he did.

Morris: When you say the outlook was different. Do you mean in the economic sense or--?

Rice: No, the attitude toward life, the philosophical outlook, and what this results in in the way of lifestyle, what you will tolerate and what you won't tolerate.

Morris: They had put up with, for centuries, a very miserable lifestyle, many of them--most of them.





Rice: Yes, and the caste system. I was just fascinated by the caste system. Funny, people do not talk about that much nowadays.

Morris: In India?

Rice: In India.

Morris: Didn't they officially abolish--?

Rice: They only officially abolished the Untouchables.

Morris: But they are still untouchable.

Rice: No no, that is only part of the caste system. And they're still Untouchables to orthodox Hindus. I mean you cannot stop orthodox Hindus from considering Untouchables untouchable just by passing a law, any more than you could pass a law prohibiting Christians from believing in the resurrection. That's a far-out analogy, but people believe what they believe.

The Indian constitution outlaws untouchability. You cannot discriminate against people because they are untouchables. That, I think, works. They did not have to include that in the constitution; they did it voluntarily because the majority of the Hindus believe that this is not a good thing.

They are just at the bottom. There are literally tens and tens of caste gradations within the system.

Morris: I knew there were more. I did not realize there were that many.

Rice: Oh, yes. There are four major castes. But within each of the four there are numerous gradations. I was just fascinated by certain aspects of Indian life and outlook. As I said, I did not understand certain ways of looking at things. I got some insights from reading Gandhi.

Morris: In doing the work for your dissertation, were you out traveling around the country, or were you primarily looking at statistics?

Rice: I was primarily in Bombay. But I did travel all around India. I picked up some of the material I needed in the process of travel, although I did not know I was going to be able to do it. I did not travel in order to do that. It was an incidental result of some of my travels.

Morris: In the credits to your dissertation, it looks like you had access to the top planning people in the country and some of the top business leaders.



Rice: I did.

Morris: That is a great asset. How did you arrange those kind of--?

Rice: The director of the School of Economics and Sociology at the University of Bombay put me in touch with some officials at the central bank of India, the Reserve Bank of India it was called. And these officials whom I got to know put me in touch with anybody I wanted to see.

But they themselves were the most valuable.

Morris: The officials at the central bank?

Rice: Yes. They helped me in a lot of ways: they helped me to get data; and they were there to talk with if I ran into difficulty.

Morris: Were you posing questions that they were trying to resolve themselves?

Rice: No, not at the Reserve Bank. Like all other central bankers, they were focusing on their own problems, that is monitoring policy and trying to run the central bank. Planning commission people were looking at the kinds of problems that I was looking at. They were in New Delhi.

Morris: Were you able to help them, do some work for them?

Rice: No, I did not do any work for them. They did not need me; they had their own large staff.

Morris: Well, I was thinking of the intern kind of function that has become common in this country--whether Fulbright fellows performed it--

Rice: No, Fulbright fellows didn't--I do not think they worked in the government. I worked in the Reserve Bank of India. But again, there is a mythology there as here that the Reserve Bank is somehow significantly separate from the rest of the government. I am absolutely positive that it would be unthinkable to have a foreign student working in the planning ministry in India, or any other country for that matter.

I would find it unthinkable that a foreign student would be allowed to work in our Office of Management and Budget. But we would let a foreign student work in the Federal Reserve.

Morris: Because the subject matter at OMB is so sensitive?



Rice: Because the subject matter is so sensitive.

Morris: I see.

Rice: And the same thing would be true in India or any other foreign country.

Morris: It is about 12:30 p.m. right now. If we can stop and take a break.



## VI FIREFIGHTER IN BERKELEY; COMPLETING THE PH.D.

Integrating the Fire Department##

Morris: You were a fireman at one point in Berkeley?

Rice: That is right--exactly right. I was a fireman for two years, bona fide. And that was the best job I could get at the time. I was glad to get the job. I started out as a line fireman.

Morris: Carrying a hose?

Rice: Carrying the hose and so forth, and going into smoky buildings. And then I became a fire alarm operator. That is I worked in the headquarters and pushed the buttons and transmitted the signals and allocated the equipment and so forth. That's because--the chief knew that I was taking some courses at the university. So he might well have decided that I could study while minding the alarm room.

Morris: Nowadays it is quite a competitive proposition to become a firefighter.

Rice: It was then. The physical was kind of tough. The athletic obstacle courses they built for you--the climbing, the running--well, the physical test and the athletic prowess tests were difficult. You had to take a mental test, too, but that was not too hard. The hard part was the physical.

I am sure there were other things I could have done. But it seemed to me--well, first thing, I had always wanted to be a fireman, ever since I was a little kid. So I fulfilled one of my boyhood dreams. I never wanted to be a fireman forever, you know. But I wanted the experience of putting out fires when I was a kid. And it seemed like something I could do and, at the same time, continue studying. So I got the job.





Morris: Had somebody told you that there were openings in the fire department?

Rice: Yes, whenever they add to the list [civil service list of jobs] they have to announce it.<sup>1</sup> So there were notices in the newspaper and a lot of word-of-mouth, and they announced the day of the examination. So I just went down and took it.

Morris: Were there other graduate students applying for those jobs too?

Rice: Two graduate students came after I got on the job. When I came on board I was the only graduate student. There were a couple of college graduates--when I say "a couple" I mean there might have been three or four--on the force. But there were not graduate students, that is, people who were taking courses or planning to take courses or studying to take courses, when I came on, first.

While I was there, during that two-year period, two graduate students came on. One was a fellow of Japanese ancestry who later joined the foreign service and had a very successful career in the foreign service. He retired from the foreign service about five years ago in Washington. I see him occasionally. We worked together.

Morris: Really, what is his name?

Rice: His name was Yukio Kamamoto. And there was another fellow whose name was [Warren?] D'Azevedo. I do not remember his first name, but his last name was D'Azevedo. He was a graduate student in anthropology.

Morris: That is a pretty high-class fire department [both laugh]. Were there other black applicants when you were taking the civil service exam?

Rice: Yes, I do not remember whether he came on at the same time I did or came on shortly after. But there was one other black member of the fire department during the time I was there.

Morris: Who was the chief?

Rice: His name was Meinheit.

Morris: I know him.

Rice: I am surprised that he is still alive. Maybe it is his son.

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<sup>1</sup>A May 1990 article on I House's sixtieth anniversary reports that residents "pushed for integration of the Berkeley Fire Department and U.C. campus fraternities." See Appendix.



Morris: Meinheit, Sr. is not still alive but we used to live across from his son who was also a firefighter.

Rice: Right. He is probably a chief; retired chief now, probably.

Morris: Yes, he is probably retired.

Walter Gordon would have been through the police department and off into other things by then.

Rice: Yes, that is right. That is exactly right because he was around, I think. I do not remember what doing.

Morris: He might have been on the state Adult Authority at that point?

Rice: He might well have been.

Morris: Was Walter Gordon a mentor, somebody you go to for advice?

Rice: No, I mainly knew of him. I might have met him once or twice, but I mainly knew of him. I knew other people who knew him.

Morris: That is kind of a digression, but I think it is an important one. I meant to ask you earlier about both, firefighting while being a graduate student and also being the one to integrate the fire department.

Rice: How did you find out I integrated the fire department?

Morris: You said you and one other were the only blacks in the department at that point.

Rice: Yes, I was the first. The second fellow did come after me. Quite a bit was made of it when I first joined.

Morris: Firefighters can be kind of clubby. Did they make you feel welcome, or did you have to--?

Rice: They did not make me feel particularly welcome, but they also did not freeze me out. That is, they talked to me. They were not happy that this barrier had been broken, and it was a big thing. It was not easy for the chief to do, but he wanted to do it. I do not know if there was any pressure on him to move at that particular time or not, but he wanted to do it.

Morris: That is an interesting point, but it was not until the early sixties that the city council, as a matter of policy, established a concern for employment of negroes in the city employment.

Rice: Is that right?



So quite a bit was made of it, and as I said, the men in the department (it was a pretty big department then, we had nine firehouses)--some of us rotated, you know--the new men rotated from firehouse to firehouse; the more seniority you had the more permanence you had in one place--there was some resentment that this barrier had been broken down. But I have to say that nobody really took it out on me personally. They did not like the idea of having to have blacks in the department, because firemen live a fairly intimate kind of existence. They spend a lot of time together; they sleep in the same room and so forth, use the same facilities.

They would just as soon not have any black people to be bothered with. But as I said, they did not take it out on me personally. They seemed to take the view that it was not my fault [laughs]. After all, they could not blame me for trying to get a better job.

Morris: Were you doing it in order to integrate the fire department, or were you primarily concerned with--?

Rice: I was primarily concerned with getting a job, really. If I could do some good in the process, so much the better. That was not my primary motivation. I never saw myself as a world savior, you know; to take advantage of every opportunity to--

Morris: To make a philosophical point.

Rice: Right. If I could do it in the ordinary course of business, I was happy--I am always glad to try to make things better, in the ordinary course of business.

Morris: That is a good working principle.

#### More on Developing Countries

Morris: Where we left off before lunch was--you were in India working on your research for your dissertation. I wondered if at that point, you were thinking of your subject in the Indian economy as having relevance to the economy of the United States.

Rice: No, I did not see any special relevance. The main thing was to try to get some insight into the nature of the economic development process in a country like India--a developing country--and hopefully to see if this had any relevance for other



developing countries: first, in Asia, then, in Africa and Latin America.

What could be learned in India was relevant. It seemed to me that I picked the toughest one of all.

Morris: The toughest economy.

Rice: Right. The toughest society, actually.

Morris: And also, certainly, one of the larger societies, with massive economic situations to deal with.

Rice: And with a huge population problem to start with, which was a huge drag, to begin with.

Morris: How much of the plans that were developed for the independent India, how much did they relate to the pre-existing economic situation?

Rice: They related fairly directly. They started with the existing economic structure and tried to answer the question of what first steps you take to move toward improving productivity and agriculture and toward industrialization. So they had their eyes on the right kinds of problems. It is just that they were overwhelmed by other, larger problems like population growth, like the capacity to train people properly. Those things do not lend themselves to easy discussion and planning documents. But you have got to overcome some of these practical problems of how do you create a skilled work force, how do you develop the work ethic, or a sense of responsibility in workers; so that they will do the best they can, be less wasteful, that they will try to improve their efficiency, and they will make an effort to improve their own productivity.

Morris: And it would also require moving numbers of them from primarily an agricultural kind of a setting into more technical work.

Rice: Yes.

Morris: From this vantage point, forty years later, it looks like those were problems then that the United States is dealing with now. Things like large unemployment, continuing inflation. Did it seem like there were similarities at the time?

Rice: No, the problems of a developing country, especially like India, are very different in nature from problems in a mature industrial economy like ours. Some of our problems relate to the nature of our industrialization; the fact that some of our industries have





become mature--the smokestack industries now are costly to operate as against some of the new plants that are being put up in developing countries more efficiently, and where they can produce more efficiently. The Japanese and the Koreans and Taiwanese can produce steel cheaper than we can.

Our smokestack industries, in some cases, are over-mature, you see. So it is a different kind of a problem from trying to develop the skilled work force with self discipline and so forth, as the Chinese and Koreans have apparently done. The Indians have made a good deal of progress in the last thirty years.

Morris: Did you find when you were in India that the political debates going on had an influence on the economic decisions that were made?

Rice: [pause] I do not think so. I do not recall much about the politics actually. My general recollection is that most of the center to left-leaning political parties were agreed on the basic economic approach to the economy and that the first five-year plan that was developed was basic--had commanded multi-partisan support. That is just my impression.

The government was a kind of coalition government anyway. There were differences in political philosophy between the prime minister, who I think at that time was Nehru--

Morris: Yes.

Rice: --Between the prime minister and some of his ministers. But he was such a dominating figure that these did not emerge.

Morris: He could exert enough leadership to bring it together.

Rice: Right.

#### Dissertation Presentation

Morris: How much of a role did your dissertation committee play then in how you went about writing all this up and presenting it? There was a professor Choh-Ming Li. Had you studied with him or was he appointed from outside?

Rice: No, I had not studied with him although he was here. He just was not teaching any courses that I wanted to take. My first chairman was Norman Buchanan. As I said, he was the man who was



specializing in economic development work and had written a book in that area. Norman left on sabbatical to go to the Rockefeller Foundation. And he never came back. He stayed at the Rockefeller Foundation.

Morris: I see. That removes him from the university.

Rice: So I had to get another chairman, and the only other man that was in this area--that had written in this area of economic development and also knew something about Asia and developing countries because he came from China--was Choh-Ming Li. He was Chinese. He had come from China and he was a good scholar. So he took over as my chairman.

But that was after I came back from India. Professor Buchanan helped me a lot. He worked with me--we worked through the thing chapter by chapter. When I finished a chapter, he would look at it and tell me what he thought about it.

I remember his comment on one of my earlier chapters on taxation. His comment was, "Good stuff, but dry as hell." [both laugh]

Morris: That is interesting because reading it now, I found a few chuckles in it. You developed a knack for suggesting the irony of some situations without coming out and saying these people really seem to have the cart in front of the horse. Does anybody write in an interesting, dramatic form about tax policy?

Rice: I could not figure out how to do it. I took his comments very seriously and I tried to liven it up. But you are talking about someone else's tax system and it is deadly serious stuff and it is not the kind of thing it is easy to poke fun at.

Morris: Yes, did you find the committee was supportive and sympathetic when you went to defend yourself in your orals?

Rice: Supportive? It is a confrontational situation. Even if the committee is basically sympathetic to you and want you to get through and hope you will get through, it is basically confrontational. They are trying to satisfy themselves that you really know what you are talking about and that this is a creditable piece of work. You have to defend this. They have to ask good questions and you have to try to answer them. The situation is itself, as I said, confrontational.

While they may not want to sink you they may inadvertently sink you, even if they do not want to; but normally they are not concerned. They just want to be sure that you are good enough.



That is what they are out to find out and you are out to show them that you are. They might be sympathetic, but they would not show it. Supportive, it is not the kind of situation in which you can be supportive.

Morris: But you came through it with flying colors?

Rice: I came through feeling that I had made it. When I went outside to await the verdict I felt good; I felt that I was probably going to get by.

Morris: That is a good feeling--to have sufficient control of the material.

Rice: No one can be absolutely sure. Everybody is nervous until they get the nod--until the guy comes up and calls you "Doctor."

Morris: That is a nice way to do it. Did your ideas change at all in--it looks like the dissertation writing, itself--you finished while you were at Cornell?

Rice: Yes.

Morris: Did your ideas change at all in being back in this country for a couple of years?

Rice: I do not think so. You have to keep in mind now that we are talking a long time ago and I do not remember much. I have not read that thing in thirty years.

Morris: It reads very well. For somebody who does not know much about India but finds it an interesting part of the international economy--

Rice: That is very nice to hear. I will have to look at it again. I really do not remember much about it. I can not.



## VII COMPETITION AND DISCRIMINATION IN THE PROFESSIONAL WORLD

Teaching at Cornell; Government Employment Policies

Morris: When you went to Cornell were you teaching economic development or underdevelopment?

Rice: No, I taught money and banking and corporation finance all the time. I only had one non-finance course the whole time I was there.

Morris: Were you planning at that point to make a career in academia or were you hoping to move into consulting or--?

Rice: No, I was hoping to make a career in academia. That is all that was available at the time. There were no career opportunities in industry and in government. At that time the government departments were not taking blacks in professional positions. I could not have worked in the treasury at that time. I could not have worked at the Federal Reserve. All those places had policies barring black people.

Morris: Even though there was beginning to be some fair employment legislation at the--?

Rice: It was not national. It was just in various states. But it was not national. The government had no fair employment laws. Government agencies were still free to discriminate and they did. I spent a summer at the Federal Reserve in 1957. There were no black professional people on the Federal Reserve staff. There were none as a matter of policy. Even though I was there during the summer--

Morris: Consulting or doing some research?

Rice: I was there during research. I was on a special social science grant. Even though I could do that, I could not have been a member of the permanent staff.





Morris: Is specific policy or is it the unwritten policy?

Rice: It was unwritten, but it was clear. Yes.

Morris: Was this a federal social service grant from one of the government agencies?

Rice: No, it was a Social Science Research Council grant.

Morris: But you had no problems doing your research there?

Rice: No, because it was understood I was a visitor.

Morris: As you went along with your own professional career, did you find you were becoming more interested in being more active in moving the cause of employment in professional positions for blacks--?

Rice: Oh yes. I had a personal interest in that. That was the ordinary course of business.

Morris: In terms of one's own career motivations. You know what I would like to end up with today is sort of a philosophical thing. Black Enterprise magazine interviewed you in 1979--you commented that in your experience, "It is always better to act, to work and to perform as if there was no such thing as discrimination."<sup>1</sup> I am wondering how and at what point you developed that personal philosophy.

Rice: That is a good question.

Morris: Or if five years later you feel a little different about it?

Rice: No, I do not. I still believe that that is the way to go about doing things. I cannot pinpoint when I reached that conclusion. I think it was a view that just gradually evolved. I guess it just gradually evolved.

##

Rice: It was not an idea that came full-blown to my head on one sunny afternoon. It was something that gradually evolved. I had been struggling with this problem of how a black person performs in a competitive world where there is a lot of prejudice and where people try to have it both ways. That is, pretend that no prejudice exists in a particular situation. But on the other hand, expect black people to behave in a model way, because after all, it is a privilege to be in this position, like Jackie Robinson, etc. It is a privilege for you to have the opportunity

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<sup>1</sup>See Appendix C.



to do this especially important job. And you are unusual in that sense.

For example I was unusual as an assistant professor at Cornell. There were not any other black assistant professors at Cornell. And I suspect that certain people expected more of me than other assistant professors or, if they did not expect more, certainly looked at me harder and they were judging me more constantly than, say, the other assistant professors. If I did something outrageous, it would attract more attention than had another assistant professor done the same thing.

In that kind of a situation, a situation in which people are indicating a certain lack of prejudice, that is, being--

Morris: They had given you this great position.

Rice: Well, yes. They have done something new. They have been more forthcoming than others like them, which indicates less prejudice or no prejudice. And on the other hand, at the same time, they tend to judge you by somewhat different standards--higher or lower--as the case may be, but different.

I had struggled with this problem for a long time. What do you do with it? Are you always a good boy? Do you always try to be a model person so that nobody can say anything bad about you or nobody can use you as an excuse to be prejudiced against other black people. And I concluded that I am only one person. I am only human, and I cannot carry the burdens of the world around on my shoulder--or not all of them--and at the same time function. So, I was just going to be myself, and I was not going to be constantly worried and bugged and be on my p's and q's because people expected me to. I just was not going to do that. If my being black caused a problem it was not going to be to me; it was going to be the other people.

Morris: The other side of that would be if the white colleagues looking at you harder than they might somebody else, were people in the black community also expecting you to speak out and bring other blacks along with you?

Rice: I never had any clear, strong signal as to what the black community expected of me. I still do not. I would assume they want me to do a good job. They do not want me to bring discredit upon them or to do anything that would make black people look bad. I just assume that. I do not know why I assume that, but I do. But beyond that, I do not get any message.



The message I get from what I read in Ebony and Black Enterprise is that they are glad I am doing what I am doing. That is all I get. By the way, I got a lot of comments. There were a lot of hostile reactions to that remark you just quoted too. A number of letters to Black Enterprise and I got some personal letters from people setting me straight.

Morris: The article itself reads as if the person that wrote it felt more activism was perhaps a good thing. It is interesting because you do not often get an editorial opinion in an article.

#### Federal Reserve Board and Other Appointments

Rice: Yes, as I recall, he thought that I should see myself as the representative of blacks on the Federal Reserve Board. And there is no such job. There is no such opportunity. There is nothing for people to do as a black--

Morris: There is no black seat on the Federal Reserve Board, in other words.

Rice: There might be a black seat in the sense that--politicians agree that there will always be one black person on the Federal Reserve Board and there will always be one woman on the Federal Reserve Board. I do not think that is true. I think President Reagan is going to replace the woman who is retiring with a woman. If the next president does that then we will come pretty close to having a female seat.

Morris: The first female was appointed a little while before you were.

Rice: Right, but it was quite a long number of years between the time the first black member served on the board and when I came along.<sup>1</sup> So there may not be a black seat even in that sense. What I meant was there is nothing for a black person to do as a black person. You cannot make monetary policy from a black point of view. There is no black point of view in the formulation of monetary policy. So this business of representing blacks on the Federal Reserve Board is just not a relevant way to look at things. Everybody represents everybody, you see.

Morris: There was another comment in the same discussion. You said, "If a person did act from a point of view that there was discrimination, that they would not be read when the door opens to a greater opportunity--jobs of greater responsibility and visibility.

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<sup>1</sup>The first person appointed to the board who was black was Andrew Brimmer, who resigned in 1968. Dr. Rice was appointed in 1979, and served until 1987.



Rice: I do not recall now exactly the context in which I said that, but my recollection is that I was trying to suggest that carrying around the consciousness of being black continuously is a psychological burden, and that you cannot bring your best performance to bear as long as you have this additional drag on you. You have got something draining your energy and your creative power. You have to free yourself of this in order to work to your full potential. So you have to get rid of this so that you will be able to compete fully. That is, I think, what I had in mind.

Morris: That makes sense. And then, because of your experiences and your training, you were ready when the federal government started looking for blacks to bring into government. Yes? Was the World Bank your first move from Cornell?

Rice: No, not at all. I moved to the Federal Reserve Bank of New York from Cornell. I was an economist on the staff of the bank. From the New York bank, I went to the Central Bank of Nigeria. And from the Central Bank of Nigeria I came back to the United States Treasury. From the U.S. Treasury I was appointed to the World Bank.

Morris: Had you had enough of academia?

Rice: By that time--by the time I went to the Treasury, I had. But I had to make a very critical decision. When I went to the Federal Reserve Bank of New York, I went on sabbatical. I got a renewal, and so I stayed there two years. I fully intended to go back to Cornell. But then the opportunity to go to Nigeria came along. And I had to make a very critical career decision as to whether I was going back to Cornell and teach or whether I was going to Nigeria. And I made the decision to go to Nigeria, which was in effect a decision to leave academia. But when I made the decision, it was not clear to me that that was what I was deciding.

Morris: Few decisions are.

Rice: I kept telling myself, "Well, when you get back from Nigeria you will go back into teaching, though probably not to Cornell."

Morris: When you went to Nigeria, there was no central bank? Is that right?

Rice: There was a newly organized central bank. The central bank had just been put together. It had just been built, actually.





Morris: There was a building before there was a system.

Rice: Right. I mean a central bank existed in a corporate sense and in a physical sense. But the building of the Central Bank, the operation, took a period of years, as typically they do. You cannot build a central bank operation in a couple of years.

Morris: I can dimly perceive that. That is why I think this would be a good place to stop for today. I cannot ask you the questions that students are going to want to know about ten years from now until I have done a little more homework.



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## DISSERTATION

SOURCES AND USES OF CAPITAL FOR ECONOMIC DEVELOPMENT  
IN THE PUBLIC SECTOR OF THE INDIAN ECONOMY,  
1947-1952

The deliberate decision of the Government of India to implement the economic development of the country within the institutional framework of a mixed economy requires the public sector to play a crucial role in the process. It is the object of this study to describe and analyze the operations of the public sector of the Indian economy in its capacity as a pivotal force for economic development during the first five years of independence.

Data obtained from the accounts of some seventy-five budget documents of the Central Government, and Part A and Part B States, indicate the amounts and purposes of development expenditures as well as the means employed to acquire development funds. From these data inferences are drawn as to certain basic policy decisions relating to development in the public sector. The efficacy of the disposition of development funds is appraised and the effects of the methods of financing on economic stability are evaluated.

Analysis of the data suggests that development policy during the period favored increasing investment more than consumption, material investment over investment in human beings, public works over other types of productive activity, and agriculture over industry. While the results obtained from certain specific development projects have fallen short of expectations, the pattern of development expenditures and the policy decisions implied by them were in general accord with expert opinion relating to development programs of underdeveloped countries.

In each year of the five-year period the public sector as a whole incurred "over-all" deficits which were covered either by using "miscellaneous deposits" or drawing on accumulated cash balances. The analysis indicates that the financial operations in the public sector contributed to the postwar inflation, especially in the first three years of the period.

Comparison of the sources and uses of development funds from 1947-1948 to 1951-1952 with a similar formulation under the current five-year plan reveals two shifts of emphasis: resources devoted to development of agriculture have increased, and the relative importance of social services has declined. Of interest is the fact that while in the period from 1947-1948 to 1951-1952 expenditures for development by all states combined were considerably greater than those of the Central Government, under the current five-year plan the development responsibilities of the Central Government, measured in financial terms, are greater than those of the States.





anning in real terms. It is true that production targets stated for certain commodities,<sup>39</sup> but the means of implementing the attainment of the specific production targets are lacking. The "planned" increase in specific output is result apparently from the way in which given amounts of funds are spent, not the result of having combined real resources in a particular manner.

The difficulties notwithstanding, the Indian planning authorities expect that by allowing per capita consumption to rise only very gradually in the first decade of planning, and by reinvesting 50 per cent of the increase in national income each year after 1955-56, per capita national income will be doubled by 1977.<sup>40</sup> The projections and the assumptions on which they are based appear in Chart VI.

#### IV. The Progress of the Plan

Early in 1954 the Planning Commission issued a report covering the progress of the Plan over the first three years of its operation.<sup>41</sup> Although this report cannot be

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<sup>39</sup> For example, production of foodgrains is expected to increase by 7.6 million tons by 1955-56 as a result of schemes of State Governments, which together are to account for 6 million tons, and supplementary schemes proposed by the Planning Commission which are to provide an additional 1.6 million tons. With regard to raw materials, the output of raw cotton is to be pushed up from 2.97 million bales to 4.22 million bales; raw jute from 3.30 million bales to 5.39 million bales; sugarcane from 5.6 million tons to 6.3 million tons; and oilseeds from 5.1 to 5.5 million tons

<sup>40</sup> Ibid., p. 21.

<sup>41</sup> Government of India, Planning Commission, Progress of the Plan (New Delhi: Govt. of India Press, 1954).



summarized here, some of the major achievements and failures may be cited briefly.<sup>42</sup>

Agricultural output has increased by nearly one-seventh during the first three years under the Plan. The results obtained in foodgrains was especially favorable. The harvest of cereals in 1953-54 reached a high of 65.5 million tons or 4 million tons more than the target for 1955-56. Much of the increase, however, was attributed to a very favorable monsoon. Raw cotton and oilseed production also showed impressive gains. New land brought under irrigation for the first time was on the order of 13 million acres, and the Central Tractor Organization has been able to reclaim 500,000 acres for cultivation.

Some expansion has taken place in the output of engineering and heavy chemicals industries as well as in locomotives and fertilizers. Cement production has risen by 50 per cent and the position of oil refineries is well on schedule.

On the other hand, results in a number of other areas has been unsatisfactory. In three years the public authorities had spent only two-fifths of planned development disbursements. The lag in scheduled expenditures has been traced to delayed deliveries of equipment, shortages of specialized

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<sup>42</sup> For a brief but seemingly unjustifiably enthusiastic summary of the report, see "India Forges Ahead," *Economist*, Vol. CLXXIII, No. 5805, November 20, 1954, p. 658.



skills, and faulty project plans and estimates. Investment in the private industrial sector was also behind schedule.<sup>43</sup> At the end of three years only 41 per cent of scheduled expenditure in this sector had been made. The manufacture of motor vehicles and production of steel are notable examples of poor performance in the private sector. Perhaps most disappointing of all has been the negligible progress in the growth of co-operative farming. Failure in this area is especially distressing since co-operative farms are the government's answer to the need to integrate small fragmented plots without resort to compulsive collectivization of farms.

During the first three years of the Plan period the Government of India has found it feasible to turn to deficit financing to the extent of Rs. 1,190 million without disturbing effects on prices and stability.<sup>44</sup> However, the problem of finding the funds to finance the planned expenditure remains, for presumably, there is some amount short of the full

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<sup>43</sup> Representatives of each of the major industries in the private sector, in consultation with the Planning Commission, have committed themselves to a program of expansion requiring the investment of Rs. 2,330 million. See, Government of India, Planning Commission, Programmes of Industrial Development 1951-56 (New Delhi: Govt. of India Press, 1952) p. 4 and Appendix II, pp. 8-10.

<sup>44</sup> Indeed prices have shown a halting downward trend. The general index of wholesale prices indicates the following averages: 1951-52, 434.6; 1952-53, 380.6; 1953-54, 396.6; 1955 (May), 340.6. [1939 = 100]

See Report of Currency and Finance, 1952-53, p. 147; and The Economic Weekly, Vol. VII, No. 21, May 21, 1955, p. 615.



uncovered planned outlay (Rs. 6,550 million) at which deficit financing will begin to take its toll on the stability of the economy.

It has been reported that "in the first three years of India's five-year plan the national income increased by perhaps 13-14 per cent -- three times as fast as the population."<sup>45</sup> This is an astounding figure indeed, for it means (if true) that India's national income is increasing at an average annual rate between four and five per cent, an extremely high rate for an advanced economy with a high rate of saving, but an incredible rate for an under-developed economy with a low rate of saving and investment. There are reasons for believing this figure to be incorrect. In the first place, on the most optimistic assumptions of the planning authorities -- that the necessary development funds would be obtained, that expenditure would proceed according to schedule, and that this expenditure would have the anticipated effect -- national income was not expected to rise more than 12 per cent over the period of the Plan or an average of 2.4 per cent per year. The Plan reads: "By 1955-56, national income, it is estimated, will have gone up to about Rs. 10,000 crores, that is, by about 11 to 12 per cent above the estimated level for 1950-51."<sup>46</sup>

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<sup>45</sup> Economist, op. cit.

<sup>46</sup> The Plan, p. 21.





Secondly, the basis of the estimate is questionable because the last year for which official estimates (those made by the National Income Unit) are available is 1950-51. When such surprising claims are made, at the very least the source and methods of estimation should be clearly set forth. Inasmuch as planned investment in both the public and private sectors had lagged in the first three years, it seems most unlikely that unprecedented gains could have been made at the same time.

#### V. Unresolved Problems

This study has been concerned with the performance of the public sector as a pivotal force in the development of the Indian economy with particular reference to its role in the acquisition and disposition of development funds. There are, however, a number of problems associated with Indian economic development such as land reform, "over-population," and labor policy which have received no treatment at all. This has not been to deprecate the importance of these problems, but rather, a recognition that they are outside the range of concentration of this investigation. Nevertheless, there are two problems, largely unresolved and relating to the institutional structure, which seem to require at least brief delineation. They are: (1) the operation of the mixed economy itself, and (2) unemployment.



## The Mixed Economy

Deliberate adoption of a mixed economy as an institutional instrument for economic development assumes that it is well suited to the requirements of the task. Moreover, certain other presuppositions are apparent. First, there is the presupposition that for historical, institutional or other reasons, the maximum quantity of real investment consistent with given consumption levels is not likely to be forthcoming in an overwhelmingly private enterprise economy. And even if it could be assumed that the absolute amount of investment would be the same, it is unlikely that it would flow into the most socially desirable undertakings because of the discrepancy between social and private returns. The relatively lower rate of profit on long-term "basic investment" does not attract private capital to these industries. Hence, responsibility for the provision of social overhead capital -- and perhaps investment in essential industries eschewed by private capital -- devolves upon the State. This calls for expansion of the public sector vis a vis the private sector.

On the other hand, active participation by governments in the productive process should not extend beyond certain limits because of the presupposition that profit making is a necessary incentive over a wide range of economic activity. Or alternatively, general or predominantly social ownership of the nation's productive facilities would not elicit



maximum efforts and sacrifices on the part of the population. This is the rationale of the mixed economy as a vehicle for economic development. The difficulties associated with the working of the system are seldom analyzed.

On almost any assumptions regarding a mixed economy in an under-developed country, the government will indicate its intention to siphon off into the public sector a certain quantity of resources for capital formation in accordance with its development plans. From this point on the nature of the government's behavior toward the private sector will determine the distinctive character of the mixed economy that has come into existence.

Let it be assumed, in the first instance, that the government, having established the means of obtaining its share, decides that it cannot leave resources to be allocated "helter-skelter" in the private sector. This decision might follow from the conviction that in order to obtain optimum conditions for development a schedule of priorities should be established for investment in essential industries in the private sector. If a schedule of priorities is to be made effective, allocation of especially scarce resources will be necessary. But if inflation is to be suppressed and monopoly profits controlled in firms favored by allocation policy, the government must resort to price controls and the fixing of profit margins. Thus, essential industries in the private sector are placed in a "strait-jacket" of economic



controls. Since entrepreneurial risk-takers normally abhor controls of any kind, the business climate becomes stifling. Entrepreneurs are deprived of a major incentive -- the possibility of increasing profits. More important from the point of view of society the entrepreneur, in large measure protected from loss, escapes thereby an impelling spur toward efficiency. In these circumstances the desired performance from private enterprise cannot reasonably be expected; nor is there any way of determining whether the entrepreneur is "earning his keep."

This case, with appropriate qualifications, is strongly suggestive of the situation in India today where there exists a staggering proliferation of economic controls. That Indian industrial interests are not altogether satisfied with the business climate in their country is underscored in a speech by Mr. J. R. D. Tata, perhaps India's most outstanding industrialist. Challenging the government's underlying assumption that normal profits of any industry are adequate to insure expansion by attracting savings to it from the capital market, Mr. Tata states:

So long as a mixed economy, in which a large part of industrial development is left to private enterprise, is considered necessary in the country's interest, the investor's willingness to take risks is an essential element in the development of industry. It is natural however, that risk-capital should get a return commensurate with the risk it takes, as well as a long-term chance of capital appreciation in successful ventures to compensate for loss incurred on unsuccessful ones. On many occasions in recent





years private enterprise has been blamed for the slow pace of industrial expansion in the country. The facts and considerations to which I have drawn attention show that if private enterprise has latterly not been able to achieve all that was expected of it, this was due largely to causes beyond its control, for some of which, at least, Governments own policies have been responsible.<sup>47</sup>

Attacks of this kind have continued to come from representatives of business and industry, indicating that the problem is recognized at least in part by them.<sup>48</sup>

An alternative to the type of mixed economy described above would be one permitting free play of the profit motive in the private sector. Having indicated its resource needs in the plan for the public sector, the government allows a scramble for remaining resources in the private sector. This policy would have the advantage of simplicity of administration for it reduces the responsibilities of the government to a sphere which should not be beyond its capacity to manage. Moreover, it is possible that the money value of investment (and perhaps even real investment) in the private sector will increase with the prospect of higher profits, though in the absence of direct controls the composition of new investment is unlikely to prove satisfactory from the point of view of "balanced growth."

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<sup>47</sup> Speech delivered by the chairman of the Tata Iron and Steel Company, Ltd., at the annual general meeting of the shareholders, August 28, 1952, at Bombay. Reported in full in The Economic Weekly, Vol. IV, No. 35, August 30, 1952, pp. 902-6.

<sup>48</sup> See, for example, the review of the Report of the Shroff Committee on Finance for the Private Sector, in The Economic Weekly, Vol. VI, No. 31, July 31, 1954, pp. 855-7.



The great danger in this case, however, is inflation with all its disastrous consequences for development planning. Inflation, consequent upon a high volume of public and private investment which absorbs resources and creates consumer incomes without immediately increasing the supply of consumer goods and services, will probably be found incompatible with development planning because of its undesirable effects upon the distribution of incomes, the direction of investment, and the balance of payments. It is therefore unlikely that this form of mixed economy, if adopted, would be long maintained.

The aim of this discussion has not been to show that a mixed economy cannot be a suitable vehicle for economic development. Rather, it has been to emphasize the inherent difficulties involved, and to suggest that no satisfactory model of a mixed economy combining large development outlays by government in the public sector with strong incentives for private initiative in the private sector, has as yet appeared. A satisfactory model, it seems, would be one which is capable of achieving a high rate of investment without: (a) altering the distribution of income away from the already impoverished non-propertied classes, (b) disruptive inflation, and (c) unduly inhibiting the profit motive in the private sector.

As very little attention has been given by the planning authorities to the problem of conflicting motivations in the two sectors, the efficient operation and organization of the mixed economy remains a largely unresolved problem in Indian development policy.



## Unemployment

Under-employment in rural India is not a new phenomenon, and generally speaking, is not greatly different from that characteristic of most other under-developed countries. Perhaps the basic problem for development planning is to find the means of drawing the large masses of partially employed (and unemployed) into more productive occupations. The planning authorities in India recognized the problem in the First Five Year Plan, but decided as a matter of development policy not to approach its solution directly. Instead, the view is taken that "this is obviously linked to the whole question of capital accumulation and technical efficiency." Moreover, the rather pessimistic conclusion is reached that very little can be done about idle manpower in the early stages of development.

In the initial stages of development, newly mobilised labour will not be able to contribute significantly to total output and, therefore, larger money incomes will tend to exert pressure on available supplies and cause sectional rises in prices. This process is apt to cause a redistribution of available supplies leading probably to a rise in the real incomes of those newly employed and a fall in the real incomes of those who were already employed.... If productivity of labour cannot be increased in the short run, particularly if the availability of basic essentials like foodgrains cannot be increased, a programme designed primarily to put to work all idle labour, runs the risk of breaking down on account of excessive pressure of money incomes on available supplies.... In other words, the accent in these first few years of development has to be on mobilization of manpower, with as little increase in money incomes as possible, rather than on full employment as such (*italics mine*) which to have any meaning, should be able to provide higher money as well as real incomes all round.<sup>49</sup>

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<sup>49</sup> The Plan, pp. 23-4.



Furthermore, it is acknowledged that "in some cases, there might appear a certain conflict between the need to reduce the social cost of maintaining unemployed labour and the need to raise the productivity of labour."<sup>50</sup> Thus, the policy position was taken to allow the problem to be solved indirectly through increased investment, capital accumulation, and rising productivity because "the elimination of unemployment in an under-developed economy is by its nature a somewhat long-term problem."<sup>51</sup>

Rising unemployment during the period of the Plan in urban areas, especially among the educated (and sometimes technically trained) middle-class has come in for a good deal of attention and public discussion.<sup>52</sup> Although unemployed persons are not required to register with employment exchanges and therefore no accurate figures are available revealing the extent of urban unemployment, the Planning Commission has taken cognizance of the gravity of the situation in its Progress Report:

During the summer of 1953 there were indications of increase in unemployment, especially in urban areas. The number of persons registered with employment exchanges has been increasing fairly steadily from the

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<sup>50</sup> Ibid.

<sup>51</sup> Ibid., p. 24.

<sup>52</sup> See, for example, the following articles in The Economic Weekly; "Employment Exchange and Unemployment," May 2, 1953, p. 508; "Fighting Unemployment--A Symposium," August 15, 1953, pp. 889-92; S. B. Rangnekar, "Prices and Employment," August 29, 1953, pp. 953-4; V. V. Bhatt, "Employment and Capital Intensity," November 6, 1954, pp. 1251-53; IDB, "Falling Prices in Total Perspective," April 2, 1955, pp. 429-30.





spring of 1952.... At the same time conditions characteristic of buyers' markets began to affect employment, particularly in the trade sector, and to a smaller extent in industry.... Furthermore, there were two long-term factors which had been continuously at work for a considerable period, namely, a steady shift of workers from villages to towns and increase in the number of educated persons seeking mainly white-collar employment.<sup>53</sup>

After making these observations the Commission still felt that the main attack on the problem of unemployment should be made by accelerating the implementation of the Plan "and by strengthening it at appropriate points." What precisely is meant by strengthening the Plan is not clear, but presumably it means stepping up expenditure on projects which are most likely to create employment opportunities.

At its meeting in October 1953 the National Development Council, an advisory body composed of the Chief Ministers of all the federated states, decided to add new projects to the state plans entailing additional expenditure of Rs. 1,500 million to Rs. 1,750 million during the remaining period of the Five Year Plan. With regard to the nature of additional projects which could be undertaken, the following conditions were laid down:

- (i) they should be strictly related to the provision of additional employment;
- (ii) they should be such as to produce results within the period of the Plan, i.e., they should not be long-term projects; and
- (iii) training and other programmes should be related to the needs of the Plan and should be confined to those sectors in which there were shortages.<sup>54</sup>

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<sup>53</sup> Progress of the Plan, op. cit., pp. 9-10.

<sup>54</sup> Ibid., pp. 10-11.



From the foregoing it appears that the states by their insistence have caused the national planning authorities to relent somewhat in their stated policy position on unemployment.

Of the plausible theoretical explanations of increasing unemployment in India, perhaps the easiest to accept is the rapid rate of growth of population.<sup>55</sup> If the population of India is expanding at a rate of 1.4 per cent per year from a population base of 360 million people, the resulting increase is in excess of five million persons annually.<sup>56</sup> The problem of providing employment opportunities at rates sufficient to absorb the numbers entering the labor force each year is immediately obvious.

The problem will be further appreciated when the implications for the man-land ratio are considered. Davis reports that the average number of acres per person declined from 2.23 in 1891-92 to 1.90 in 1939-40 or a fall of 15 per cent.<sup>57</sup> If this trend has continued the suggestion is clear that productive employment in agriculture is becoming increasingly difficult to find. The burden of providing the

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<sup>55</sup> A systematic discussion of the population problem of India cannot be given here, as it is too vast and complex a subject for cursory treatment. It is the writer's intention only to point to the possible connection between recently observed unemployment trends and the growth of population.

<sup>56</sup> See, Kingsley Davis, The Population of India and Pakistan (Princeton: Princeton University Press, 1951) pp. 71-90. This work contains a full discussion of the population problem in most of its important aspects.

<sup>57</sup> Kingsley Davis, op. cit., p. 207.



needed employment opportunities, it appears, must fall upon the non-agricultural sector of the economy. Yet it is very probable that the non-agricultural sector has not expanded rapidly enough to create employment opportunities in quantities required by the rate of population growth.<sup>58</sup> Hence it is difficult to avoid associating the large annual increase of population with some part of the unemployment problem.

Although urban unemployment as well as rural underemployment in India have been aggravated by the rapid growth of population and the displacement of population as a consequence of partition of the country, it is distinctly possible that the increased pace of development is itself responsible for much of the rise in unemployment observed in urban areas in recent years. As development proceeds it would be expected that certain rural industries, which at one time provided part time employment to a large number of persons, disappear with growing rapidity in the face of competition with new, more efficient, industries. At the same time the movement of persons from rural to urban areas is likely to be encouraged by the hope of finding employment in new industries and development projects. However, again the probable failure of the non-agricultural sector to develop rapidly enough must be inferred.

Unemployment among technically trained personnel seems to be a somewhat different problem. Inasmuch as technically

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<sup>58</sup> See Kingsley Davis, op. cit., p. 215.



trained personnel is a desideratum for any large-scale development program, the existence of unemployment among this group would seem to be evidence of faulty planning. The preparation of a manpower budget would be especially helpful in making efficient use of skilled and semi-skilled labor.

The solution to the problem of under- and unemployment in India is by no means a simple one. To solve it completely would probably require measures of compulsion of the type the present Indian Government would be unwilling to take. On the other hand, permitting large masses of manpower to exist in idleness is not only wasteful, but, as the Planning Commission recognizes, it represents a "social cost." Until some means of eliminating this social cost are found, the progress of development will be severely impaired.





## World Bank post requires extensive travel for Rice

**T**HE SON of a Florence, S.C., Methodist Minister, Emmett J. Rice, 47, earned his bachelor's and master's degrees at City College of New York. "It was my interest in psychology that stimulated my interest in economics," he says. Although there were few Negro economists employed, Rice did not worry about those considerations "until the end of my graduate studies." After a term in the U. S. Air Force and a Ph.D. in economics earned at the University of California at Berkeley, he accepted a job on the faculty of Cornell University where he worked for six years before taking a leave of absence to work for the Federal Reserve System in New York City. Between 1962 and 1964 Rice worked as research advisor to the Central Bank of Nigeria in Lagos. The experience was invaluable, he says, and led to a post as deputy director of the Office of Developing Nations in the Treasury Department. That job led to his participation in many delegations to international conferences in various parts of the world. In October of 1966 President Johnson named Dr. Emmett Rice to the post of U. S. alternate-executive director of the World Bank.

Established after World War II, primarily to help finance the reconstruction of war-torn European countries, the World Bank today has greater responsibilities. There are now 103 member countries and the World Bank has financed more than 1,000 projects in 79 countries or territories. Focus has changed from reconstruction to development and its targets have shifted from Europe to Africa, Asia and Latin America. Though more than \$10 billion has been distributed by the World Bank, Rice is quick to point out that even with such support, the gap between rich and poor nations is widening. "Even if the poor nations were growing at the same rate or slightly faster than the rich nations, the gap would still be widening in absolute terms. . . . Over the last five years, the rich countries have actually been growing at a faster rate than most poor ones."



# EMMETT RICE

## *New Man*

# AT THE FED

**Today's economic climate may dictate actions by this Federal Reserve Board governor that will be unpopular to many blacks**

**E**mmett J. Rice is one of the most important blacks in the economic policymaking machinery of the federal government by virtue of his new position as a governor of the Federal Reserve Board.

Blacks might expect Rice to take advantage of that position to be an advocate on the board for minorities and the poor. But Rice says that the nature of his job as one of the seven Federal Reserve Board governors forces him to see his role differently. In addition, he says, today's economic climate may dictate choices that may not be popular among most of the black community.

"The way monetary policy operates and the way it affects the economy doesn't allow for making a differential impact on certain sectors, population groups or industrial groups," he told **BLACK ENTERPRISE**. "Monetary policy . . . has a broad-brush, undifferentiated effect on the economy." In short: "There is very little scope for protecting the interests of black people. It's not that kind of job."

Rice is leery of leaving a wrong impression by that remark. It does not mean, he says, that he will not be concerned about the effects of the Fed's policies on blacks. It does mean, however, that if a certain

segment of society is inordinately hurt by a Fed decision, such as the recent action to curb the money supply and raise interest rates to slow the economy, "there's nothing monetary policy can do about that."

Rice has chosen to approach his job "just as anyone else would," which right now means grappling with a sluggish economy plagued by a stubborn double-digit inflation rate.

Rice moved into the marble-halled Federal Reserve headquarters in Washington's Foggy Bottom in June of this year. Previously he was senior vice president of the National Bank of Washington. The Federal Reserve post is not his first one in the public arena. In 1960 he was an economist with the Federal Reserve Bank of New York. Later, he worked at the Treasury Department for two years during the Johnson administration. In 1966 Johnson appointed him as alternate executive director for the United States at the World Bank.

Rice also worked for the Agency for International Development. While at that agency, he helped to establish the Central Bank of Nigeria. One of his first actions as Fed governor was to attend an international conference sponsored by that bank.

Thus, ever since he received his PhD. from the University of California in 1955 Rice has been neck-deep in economics, even teaching it for a while at Cornell Uni-

versity and at the Berkeley campus of the University of California. Obviously, he brings to the Fed an impressive amount of experience.

But as to what else he will bring to the Fed in the way of a point of view or economic philosophy in its frequent policy meetings is something of which he reveals little. Asked if he considered himself monetary conservative or liberal, he replied, "I'm an eclectic and a pragmatist, and I wouldn't fit myself anywhere on the spectrum because if I tried to do that I sure I would confuse people."

He did say, however, that he agreed with the consensus within the Carter administration and the board that "inflation at the present time is the number-one problem we face in the US economy today." On inflation, which has been running some months at a 13 percent annual rate: "If it continues it can cause all kinds of economic distortions and disruptions. It is an untenable, unacceptable rate of inflation."

He acknowledges that a fair question to ask in light of the administration's and the Fed's response to inflation, which has been to slow the economy, is: "To what extent do you purchase some progress against inflation at the expense of more unemployment?" He notes that at least as of last summer, several months of restrictive monetary policies have not been accompanied



by sharply rising unemployment (although the most optimistic estimates of Carter administration economists are that the unemployment rate will hit 6.9 percent by the end of 1980, and the former chairman of the board, G. William Miller, has predicted an even higher unemployment rate). "I think in the current circumstances, with the unemployment rate not rising significantly, it makes a great deal of sense to follow policies which still resist inflation," he said.

"Now, obviously if the unemployment rate rises significantly one has to examine again what kind of trade-off is acceptable, and of course this is a matter of judgment as well as what you think is appropriate social policy." But at what point that trade-off should be re-examined is something Rice is not prepared to define.

Rice is a man who chooses his words carefully, formulating his thoughts into sentences and paragraphs meant to convey the full subtlety and complexity that he feels permeates economics. He shuns what he calls the "short, pithy statement" that would make "good copy" in magazines or newspaper articles but would not do his thoughts justice. "The whole truth about the economy," he said, "is complicated and it's hard to make a simple statement about complicated matters that really is true."

He was particularly peeved at a "simplistic" question which linked current Fed policies, along with the economic policies of the Carter administration, to the possibility of higher unemployment. It was indicative, he thought, of the ignorance or overly simplistic understanding the public at large has about how the Fed and other elements of the economy operate, an ignorance the media has not done a good job in dealing with. The question of whether he can act as

an advocate for blacks on the board, too, is "based on a certain lack of understanding of monetary policy and how it works."

How does monetary policy work? One way it works is unpredictably, Rice points out. There is often a time lag of about six months, plus or minus a few weeks, between the time the board takes a major action and the effects of that action on the economy. In that six-month period anything can happen to thwart the best-laid plans of the board. The six months that began at the end of last winter are perhaps a good example: An economic balancing act designed to lower inflation without tipping the economy into a recession was upset by the sudden, unexpected increases in the price of imported oil.

"Partly because of these time lags between cause and effect, and the wide-open possibilities for interference," Rice said, "it's too early to say if the Fed's tight policies are the wisest things to do. Running any economy, large or small, is a very complicated thing. You can never be absolutely sure you're right. You don't have perfect foresight and you don't have complete control over economic problems."

One area where Rice does think he can serve blacks directly on the board is by pushing for more black representation among the highest levels of the staff. "So far as I have seen, there is to my knowledge only one black officer [at the Reserve headquarters], and that is the Equal Employment Opportunity officer. This is not a very healthy or satisfactory situation so far as employment of blacks is concerned. I would have thought that by this time there would have been more blacks at high officer staff levels at the Federal Reserve Board."

The board is no different from most oth-

er agencies, industries and occupational groups in that a semi-closed old boys' work essentially determines who rises to the top. In the Federal Reserve System this network is based among Federal Reserve member banks. From these banks employees can rise to state-level Federal Reserve agencies, and from there the promising of them can fill some roles in big headquarters in Washington, as an economist, staff assistant, or perhaps as a governor.

As a matter of course, blacks are excluded from the bottom rungs of the ladder—until recently. And thus there are no blacks to move up through the ranks. "The only way to get around this," Rice said, "is to bring people in from outside. You're going to have rapid progress. The traditional pattern of advancement is slow. Upon it, it will be some time before the substantial black presence among the important positions at the Fed."

"I consider luck a very large element in my own personal success," Rice said, reflecting upon his career. "There's a substantial element of luck in anybody's rise to an important position."

But luck is not the only thing that has depended on to be a success in the economics field. There is another factor, which Rice passes on as advice to black youth: "As hard as it might be and as unfair as it might seem, in my experience it's always better to act, to work and to conform as if there were no such thing as discrimination."

He reasons that if one assumes that she will be victimized by racism and is blocked from pursuing some career because of racism: "You won't make

*(continued on page 94)*



necessary effort to be prepared." And thus when the door opens in spite of racism, that person will not be able to walk through.

Another thing, Rice said, that blacks—and particularly minority businessmen—have to overcome is the fear of failure. "Black people are generally very sensitive to failure and are too easily discouraged by failure. We've got to get over this." When confronted with failure, "take it as a temporary setback, learn from the experience and keep coming back."

Rice's seat on the Federal Reserve Board is a hot one. Blacks will be disappointed if he does not come across as an actively sensitive representative of their economic concerns. At the same time, he maintains that he is "the governor of the Federal Reserve Board for the whole country, not just black people" and may, for the sake of the whole country, feel compelled to advocate bitter medicine for lower class people. On the other hand, Rice can perhaps draw from his considerable experience to craft new solutions to bringing the economy out of an era of "stagflation" into an era of economic

**"It is better to act, to work and to perform as if there is not discrimination"**

growth and full employment within the next three years.

At any rate, in times like these he's going to need a lot more of the luck that has seen him through in the past to ensure that his stint on the board is a successful one in which he will earn the esteem of blacks as well as the financial community. □







# BLACK ALUMNI CLUB

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## BAC ALUMNUS OF THE YEAR

Mr. Emmett J. Rice who resides in Washington, D.C. was born in Florence, South Carolina. Before being nominated by President Carter and confirmed by the Senate to be a member of the Board of Governors of the Federal Reserve System he was Senior Vice President, The National Bank of Washington, D.C. Mr. Rice was for four years United States Alternate Executive Director, International Bank for Reconstruction and Development (World Bank), International Development Association, and the International Financial Corporation, a position to which he was appointed by President Johnson in October, 1966 and confirmed by the Senate. Prior to that appointment, he was Deputy Director and later Acting Director of the Office of the Developing Nations in the United States Treasury Department. While on leave from the Treasury Department, he served for one year as Executive Director of Mayor Washington's Economic Development Committee in D.C.

Previous professional positions held by Mr. Rice include, Advisor to the Central bank of Nigeria, Lagos-Nigeria; Economist, Federal Reserve Bank of New York; Assistant Professor of Economics - Cornell University; Teaching Fellow, Department of Economics - University of California, Berkeley.

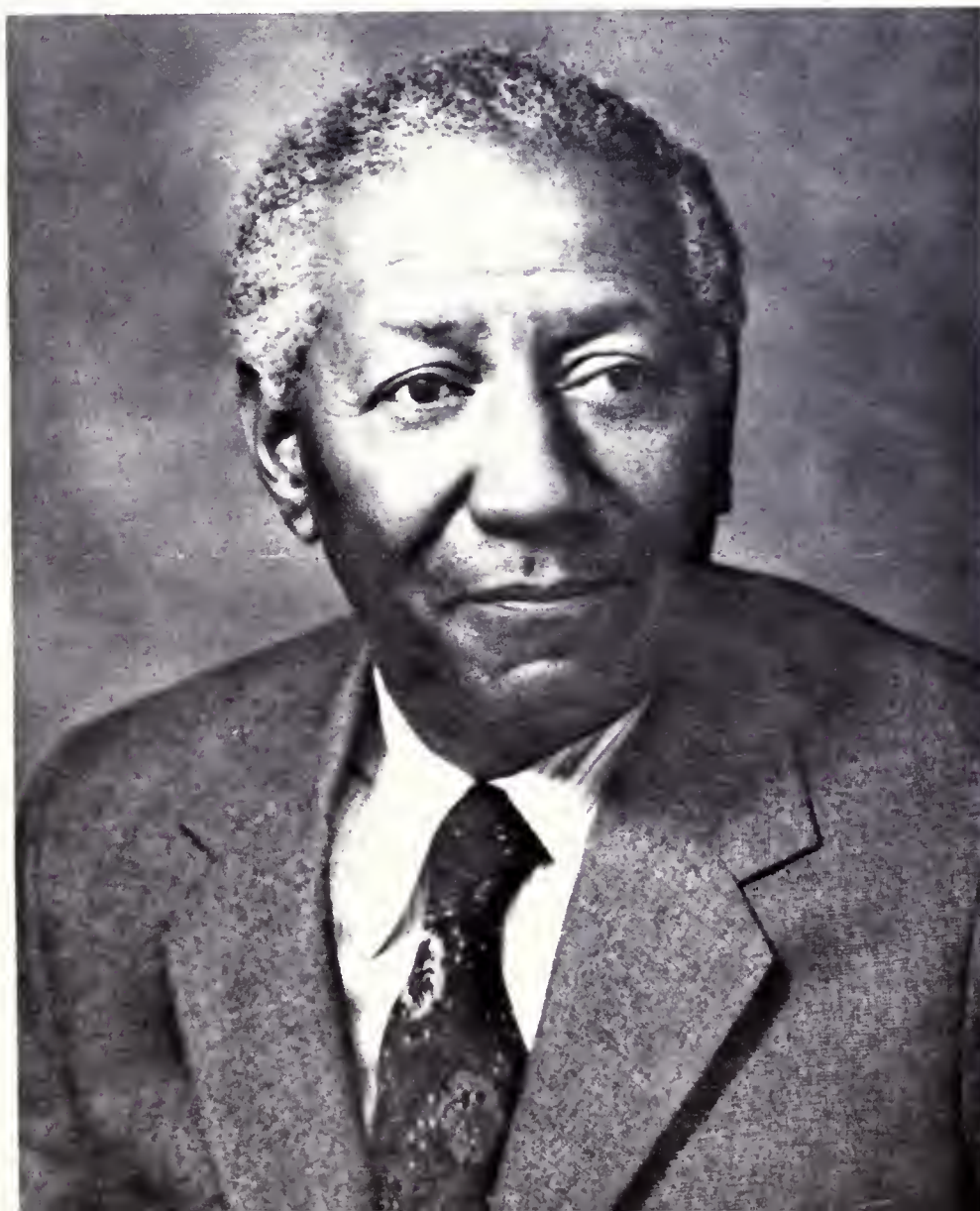
Mr. Rice earned B.A. and M.B.A. Degrees at the City College of New York, and a Ph.D. in Economics - University of California, Berkeley.

Prior to joining the Board of Governors, Mr. Rice was a member of the Board of Directors of Trans World Corporation and Trans World Airlines, Inc.; District Communications, Inc.; and Fort Lincoln New Town Corporation.

He also served on the Boards of a number of civic organizations including the Federal City Council; Federal City Housing Corporation - former President; Greater Washington Business Resource Center; D.C. Chapter of American Red Cross; Center For

Municipal and Metropolitan Research; Washington Performing Arts Society; and the Consortium of Universities.

The Berkeley Black Alumni Club is proud to pay tribute to a very distinguished alumnus, Emmett J. Rice





# UC International House Praised

## David Rockefeller says more exposure to other cultures needed

*By Martin Halstuk*  
*Chronicle Staff Writer*

There is a growing need across the nation for more university programs that expose American students to the cultures and belief systems of foreign nations, financier David Rockefeller told a gathering at the University of California at Berkeley last night.

"If we are going to get along with the rest of the world, we must understand all its cultures, interests and beliefs," said the former banker and economist.

Rockefeller, 74, the chairman of the Rockefeller Group, was at UC to mark the 60th anniversary of the International House center on campus.

Co-founded by his father, John D. Rockefeller Jr., the center offers housing and study programs for 600 students, most of whom are scholars or graduate students. Half the students are from the United States and half are from 70 other nations.

Rockefeller also suggested that UC place particular emphasis on sponsoring cultural exchanges be-

tween American students and those from Pacific Rim nations.

Economic developments since the center was founded in 1930 "probably make (International House) more useful today than when it was first started... particularly with the growing importance of China and other countries in the Pacific Rim," he said. "We are more interdependent with one another and better able to communicate than ever before."

The roughly 250 guests at last night's reception in the center represented a cross section of the Bay Area's leading businesses and industries. A number of them are former center residents.

"International House has meant a great deal to me over the years, having a wonderful resource in alumni," Rockefeller said. He pointed out that the center has produced 40,000 alumni since 1930, many of whom have risen to prominence.

At one time, a young Ali Bhutto, who went on to become prime minister of Pakistan, washed dishes in the International House kitchen with a teen-aged W. Mi-

chael Blumenthal, who became U.S. secretary of the treasury, said center Executive Director Joe Lurie.

"International House is dedicated to fostering peaceful interaction, understanding and friendship among people of all races and cultures," Lurie said. "We have black South Africans living with white South Africans and Israelis living with Libyans."

Other well known alumni include Senator Pete Wilson, former California Supreme Court Chief Justice Rose Bird, Korean Airlines President Charlie Cho and the first female minister to represent Japan in the United Nations, Sadako Ogata.

In addition to its global influence, Lurie said the center has had "an extraordinary impact on the local community."

For example, it was International House residents who integrated the public rooms at the Claremont Hotel in Berkeley and pushed for integration of the Berkeley Fire Department and UC campus fraternities, he said.





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March 1991

## VITA

Gabrielle Morris  
Senior Editor

### Professional Activities

Interviewer-editor, Regional Oral History Office, 1970-present.  
Specialist in state government history, Bay Area community concerns, focussed on key participants' perceptions of selected administrative, social, economic, and political issues in California 1938-present.

Project director, Bay Area Foundation History Projects (1974-1977, 1986- ), Volunteer Leaders Series (1978- ), Ronald Reagan Gubernatorial Era Project (1979-1990), Cutter Laboratories Project (1972-1974).

Coordinator, California State Archives Government History Project, University of California, Berkeley, component, 1986-1990.

Panelist and consultant, Joint Center for Political Studies, Oral History Association, National Council on Public History, UC Santa Barbara public history program, Society of American Archivists, local historical societies and museums; advisor, UC Graduate School of Education, California Heritage Quilt Project, California Heritage Task Force, others.

### Prior Experience

Historian, U.S. Air Force, documentation of Berlin Air Force, other post-World War II issues. Research, writing, policy development on community issues for University of California, Bay Area Council of Social Planning, Berkeley Unified School District, others.

### Education

Graduate of Connecticut College, New London, in economics; independent study in journalism, creative writing; additional study at Trinity College and Stanford University.













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